bharti

BOARD'S REPORT

Dear Members,

Your Directors have pleasure in presenting the twenty third (23rd) Board Report on the Company's business and operations, together with audited financial statements and accounts for the financial year ended March 31, 2018.

Business review

Mobile Services

Bharti Hexacom Limited is the largest mobile service provider in Rajasthan and North East Circles. The Company's diversified service range includes mobile, voice and data solutions, using 2G, 3G and 4G technologies.

During the financial year 2017-18, industry revenue table continued to remain under pressure, with the launch of aggressive price offerings by the latest entrant. The continuing disruption hastened consolidation and operators with stretched balance sheets found it difficult to survive. The Company also experienced a negative growth of 14% in income over the previous year. The revenue and EBITDA for the year ended March 31, 2018 was Rs. 44,181 Million and Rs. 7,835 Million respectively as compared to revenue and EBITDA of Rs. 51,313 Million and Rs. 19,546 Million respectively of last year (i.e. for the year ended March 31, 2017).

Despite this, the Company's mobile subscriber base had increased by 8.9 % from 25,860,388 in March 2017 to 28,154,093 in March 2018. The Company has done network rollout with the total number of sites increasing to 11,590 in March 2018 as compared to 11,325 in March 2017. In this phase of high competitive intensity, Hexacom' s priorities center around growing market share, stripping out costs and improving margins. We believe that the telecom industry in India is going through a once in a lifetime transformation and we are truly poised to capitalize on this with our leading position in Rajasthan and North East Circles.

Financial results

The financial highlights of the Company's operations are as follows:

(In Rupees Million)

Particulars	FY 2017-18	FY 2016-17
Income including Other Income	44,181	51,313
Profit from operating activities before depreciation, amortization and exceptional items	7,835	19,546
Finance Expenses (Net)	773	856
Depreciation & Amortisation expense	8,687	8,511
Profit before tax	(1,761)	9,795
Tax Expenses (current tax & deferred tax)	(642)	3,194
Profit for the year after tax	(1,119)	6,601

Material changes and commitments

There are no material changes and commitments, affecting the financial position of the Company which has occurred between the end of the financial year i.e. March 31, 2018 and the date of the Board's Report i.e. May 25, 2018.

Mergers & Acquisitions

During the year, Bharti Hexacom Limited approved the scheme of arrangement between Bharti Airtel Limited, the Company and Tata Teleservices Ltd in its meeting held on December 26, 2017. The proposed merger with the consumer business unit is under process.

Secretarial Standards

Pursuant to the provisions of Section 118 of the Companies Act, 2013, the Company has complied with the applicable provisions of the Secretarial Standards issued by the Institute of Companies Secretaries of India.

Share capital

During the year, there was no change in the Company's issued, subscribed and paid-up equity share capital. On March 31, 2018, it stood at Rs. 2,500 Million divided into 250,000,000 equity shares of Rs. 10/- each.

Transfer to reserves

The Company has not transferred any amount to reserves for the financial year ended March 31, 2018.

Dividend

On account of losses during the year, your Directors do not recommend any dividend for financial year 2017-18.

Transfer of amount to Investor Education and Protection Fund

Since the total dividend declared in previous years has been paid in full, there is no unpaid dividend and hence, no unclaimed dividend is due for transfer to Investor Education and Protection Fund.

Deposits

The Company has not accepted any deposits under Chapter V of the Companies Act, 2013 and as such, no amount of principal or interest was outstanding, as on the balance sheet date.

Directors and Key Managerial Personnel

Appointment / Resignations from the Board

The Board of Directors, on the recommendation of Nomination and Remuneration Committee, at its meeting held on September 07, 2017, had appointed A. Seshagiri Rao as additional director of the Company as nominated by TCIL vide its resolution dated August 29, 2017 and on December 01, 2017, had appointed Narendra Jain as additional director of the Company as nominated by TCIL vide its resolution dated November 22, 2011. Further, the shareholders of the Company at its meeting held on March 23, 2018, had re-appointed Sunil Kumar Goyal as an Independent Director of the Company for a further period of three years commencing from March 26, 2018 to March 25, 2021.

In terms of Section 152 of the Companies Act, 2013, A. Seshagiri Rao and Narendra Jain are required to be appointed in the forthcoming AGM. The Board of Directors upon the recommendation of the Nomination and Remuneration Committee had recommended their appointment as directors of the Company under Section 160 of the Companies Act, 2013.

During the financial year Rajiv Gupta, resigned from the position of Director w.e.f. August 28, 2017 and Ajai Kumar Gupta resigned from the position of Director of the Company w.e.f. November 20, 2017. The directors, on behalf of the Company placed on record their appreciation for help, guidance and contribution made by Rajiv Gupta and Ajai Kumar Gupta during their tenure as directors of the Company.

Directors retiring by rotation

In terms of Section 152 of the Companies Act, 2013, Devendra Khanna and Shefali Malhotra, Directors being longest in the office shall retire at the ensuing AGM and being eligible for re-appointment, offers themselves for re-appointment.

Declaration by Independent Directors
The Company has received declarations from all the Independent Directors of the Company confirming that they meet with the criteria of independence as prescribed under Section 149(6) of the Companies Act, 2013.

Appointments/Resignations of the Key Managerial Personnel

During the year, Manoj Murli resigned from the position of CEO of the Company, w.e.f. October 7, 2017 and Hemanth Guruswamy joined as CEO of the Company in his place w.e.f. October 8, 2017.

Number of board meetings held during the financial year 2017-18:-

During the financial year 2017-18, the Board of Directors met 5 (five) times i.e. on May 26 2017, September 07 2017, December 01 2017, December 26, 2017 and February 27, 2018. The period between any two consecutive meetings of the Board of Directors of the Company was not more than 120 days.

Name of Director	Director Identification Number (DIN)	Category	No. of Board Meetings attended (total held)
Devendra Khanna, Chairman	01996768	Director	4(5)
Ajai Kumar Gupta[1]	03564145	Director	2(2)
Nilanjan Roy	02703775	Director	2(5)
Rajiv Gupta[2]	06993918	Director	1(1)
Shefali Malhotra	07143784	Director	4(5)
Sunil Kumar Goyal	02312181	Independent Director	3(5)
Mukesh Hassanand Bhavnani	03595080	Director	3(5)
Ravi Kumar Kaushal	02814471	Independent Director	5(5)
Narendra Jain[3]	06942419	Additional Director	3(3)
A. Seshagiri Rao[4]	06364174	Additional Director	2(2)

1. Ajai Kumar Gupta resigned as a Director w.e.f November 20, 2017.
2. Rajiv Gupta resigned as a Director w.e.f August 28, 2017.
3. Narendra Jain was appointed as an Additional Director w.e.f December 01, 2017.
4. A. Seshagiri Rao was appointed as an Additional Director w.e.f September 07, 2017.

Committees of the Board:

Audit Committee

The Committee consists of the following members as on May 25, 2018:

Devendra Khanna - Chairman
Sunil Kumar Goyal
Ravi Kumar Kaushal

During the financial year 2017-18, members of the Audit Committee met 4 (four) times i.e. May 26, 2017, September 07, 2017, December 01, 2017 and February 27, 2018.

Name of Director	Category	No. of Committee Meetings attended (total held)
Devendra Khanna	Director- Chairman	4(4)
Sunil Kumar Goyal	Independent Director	3(4)
Ravi Kumar Kaushal	Independent Director	4(4)

Committee of Directors

The Committee of Directors consists of the following members as on May 25, 2018:

Shefali Malhotra- Chairman
Nilanjan Roy

During the financial year 2017-18, members of the Committee of Directors met 3 (three) times i.e. May 26, 2017, August 02, 2017 and December 04, 2017.

Name of Director	Category	No. of Committee Meetings attended (total held)
Shefali Malhotra	Director	3(3)
Nilanjan Roy	Director	3(3)

Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of following members as on May 25, 2018:

Sunil Kumar Goyal, Chairman
Nilanjan Roy
Ravi Kumar Kaushal

During the financial year 2017-18, members of the Nomination and Remuneration Committee met 4 (four) times i.e. May 26, 2017, September 07, 2017, December 01, 2017 and February 27, 2018.

Name of Director	Category	No. of Committee Meetings attended (total held)
Sunil Kumar Goyal	Independent Director-Chairman	3(4)
Nilanjan Roy	Director	3(4)
Ravi Kumar Kaushal	Independent Director	4(4)

Corporate Social Responsibility (CSR) Committee

The CSR Committee consists of following members as on May 25, 2018:

Shefali Malhotra- Chairman
Devendra Khanna
Sunil Kumar Goyal

During the financial year 2017-18, members of the Corporate Social Responsibility Committee met two times i.e. on May 26, 2017 and December 01, 2017.

Name of Director	Category	No. of Committee Meetings attended (total held)
Shefali Malhotra	Director - Chairman	2(2)
Devendra Khanna	Director	2(2)
Sunil Kumar Goyal	Independent Director	2(2)

Policies

Risk Management Policy

Risk management is embedded in the Company's operating framework. The Company believes that risk resilience is key to achieving higher growth. To this effect, there is a robust process in place to identify key risks across the group and prioritise relevant action plans to mitigate these risks.

Risk Management framework is reviewed periodically by the Board and the Audit Committee, which includes discussing the management submissions on risks, prioritising key risks and approving action plans to mitigate such risks.

The Company has a duly approved Risk Management Policy. The objective of this policy is to have a well-defined approach to risk. The policy lays down broad guidelines for timely identification, assessment, and prioritisation of risks affecting the Company in the short and foreseeable future. The policy suggests framing an appropriate response action for the key risks identified, so as to make sure that risks are adequately compensated or mitigated.

The internal audit function is responsible to assist the Audit Committee on an independent basis with a full status of the risk assessments and associated management action plans.

Corporate Social Responsibility (CSR) Policy

Your company has a CSR Policy for undertaking programmes and projects as per the requirements of law. Providing education to underprivileged children of the society in the rural areas of the Country, health and sanitation programmes and rural development projects are the focus areas of our CSR Policy.

During the financial year 2017-2018, the Company has spent Rs 100 million towards the CSR activities. The Company keeps on persistently exploring new opportunities to increase its CSR expenditure to the prescribed level. As a socially responsible company, we are committed to play a larger role in India's sustainable development by embedding wider economic, social and ecological objectives.

Nomination & Remuneration Policy

In compliance with the provisions of Section 178 of the Companies Act, 2013, rules made thereunder, the Board of Directors on the recommendation of Nomination & Remuneration Committee has approved and adopted the Nomination and Remuneration Policy in its Board Meeting held on March 27, 2015. The Nomination and Remuneration Policy is annexed as **Annexure – B** to this report

Vigil Mechanism

There is a mechanism for directors and employees to report concerns about unethical behaviour, actual or suspected fraud, or violation of code of conduct. The mechanism also provides for adequate safeguard against the victimisation of employees who avail of the mechanism, and allows direct access to the chairperson of the Audit Committee in exceptional cases. The complaints or concerns, if any, received from any person are promptly redressed.

Board evaluation

The Nomination Committee has put in place a robust framework for evaluation of the board, board-committees and individual directors. Customised questionnaires were circulated, responses were analyzed and the results were subsequently discussed by the Board. Recommendations arising from the evaluation process will be considered by the Board to optimize its effectiveness.

Internal Financial Controls

The Company has established a robust framework for internal financial controls. The Company has in place adequate controls, procedures and policies, ensuring orderly and efficient conduct of its business, including adherence to the Company's policies, safeguarding of its assets, prevention and detection of frauds and errors, accuracy and completeness of accounting records, and timely preparation of reliable financial information. During the year, such controls were assessed and no reportable material weaknesses in the design or operations were observed. Accordingly, the board is of the opinion that the Company's internal financial controls were adequate and effective during financial year 2017- 2018.

Disclosure under Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Company did not receive any complaint during the year, under Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013.

Auditors and Auditors' report:

Statutory Auditors

In terms of the provisions of Section 139 of the Companies Act, 2013 and Companies (Audit and Auditors) Rules, 2014, Deloitte Haskins & Sells vide registration no. 117365W, were appointed as the Statutory Auditors by the shareholders in the Annual General Meeting held on July 24, 2017, for a period of five years i.e. till the conclusion twenty seventh AGM. The annual ratification of auditors at the next AGM (to be held in calendar year 2019) for their remaining term, shall be done, if required by the statutory provisions.

The Board has duly examined the Statutory Auditors' Report to the accounts, which is self-explanatory. Clarifications, wherever necessary, have been included in the Notes to Accounts section of the Annual Report.

Cost Auditors

The Board, on the recommendation of the Audit Committee approved the appointment of M/s. R. J. Goel & Co., Cost Accountants, as Cost Auditor for the financial year 2018-19. The Cost Auditors will submit their report for the financial year 2017-18 on or before the due date.

In accordance with the provisions of Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, since the remuneration payable to the Cost Auditors is required to be ratified by the shareholders, the Board recommends the same for the approval by the shareholders at the ensuring AGM.

Secretarial Auditors

The Company had appointed Chandrasekaran Associates, Company Secretaries, to conduct its Secretarial Audit for the financial year ended March 31, 2018. The Secretarial Auditors have submitted their report, confirming compliance by the Company of all the provisions of applicable corporate laws. The Report does not contain any qualification, reservation or adverse remark. The Secretarial Audit Report is annexed as **Annexure – C** to this report.

The Board has reappointed Chandrasekaran Associates, Company Secretaries, New Delhi, as Secretarial Auditor of the Company for FY 2018-19.

Extract of Annual Return

In terms of provisions of Section 92, 134(3)(a) of the Companies Act, 2013 read with Rule 12 of Companies (Management and Administration) Rules 2014, the extracts of Annual Return of the Company in form MGT-9 is annexed as **Annexure - D** to this Report.

Particulars of loans, guarantees or investments under section 186

No loans, guarantees or investments were made during the financial year 2017-18 which attracts the provisions of section 186 of the Companies Act, 2013.

Related Party Transactions

Particulars of contracts or arrangements with related parties referred to in section 188(1) of the Companies Act, 2013 in the prescribed form AOC-2 is annexed as **Annexure - E** to this report.

Energy Conservation, Technology Absorption, and Foreign Exchange Earnings and Outgo

Since the Company is a provider of telecommunication services, most of the information as required under section 134(3) of the Companies Act, 2013, read with the Rule 8 of Companies (Accounts of Companies) Rules, 2014, is not applicable. However, the information, as applicable, has been annexed as **Annexure – F** to this report and forms part of this report.

Directors' Responsibility Statement

Pursuant to Section 134 of the Companies Act, 2013, the directors, to the best of their knowledge and belief, confirm that:

a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

b) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for that period;

c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

d) the directors had prepared the annual accounts on a going concern basis; and.

e) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Significant and Material orders

There are no significant or material orders passed by the regulators, courts or tribunals having an impact on the future operations of the Company or its going concern status.

Acknowledgements

Your directors take this opportunity to place on record their appreciation for the wholehearted support received from Central Government, the State Governments, Department of Telecommunications (DoT), Wireless Planning and Coordination, Telecom Regulatory Authority of India (TRAI), Cellular Operators Association of India, Company's Bankers and Auditors, the employees, the subscribers, dealers, suppliers and all other business associates. We look forward to their continued support in future.

For and on behalf of the Board
For Bharti Hexacom Limited

Date: May 25, 2018
Place: New Delhi

Devendra Khanna
Chairman
DIN: 01996768
Address: S333, 1st floor,
Panchsheel Park, New Delhi.

ANNEXURE – A

The Annual Report on Corporate Social Responsibility (CSR) Activities

1. Brief outline of the Company's CSR Policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs

At Bharti Hexacom, business success is not just about profits and shareholder returns. We believe in pursuing wider socio-economic and cultural objectives and have always endeavoured to not just live up to it, but to try and exceed the expectations of the communities in which we operate.

At Bharti Hexacom Limited, the CSR and welfare activities, centers around the following areas:

1. Promoting education for underprivileged sections of the society (school/college/technical/vocational);
2. Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water;
3. Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government

2. Composition of the CSR Committee as on March 31, 2017:-

1. Shefali Malhotra, Chairman
2. Devendra Khanna, Member
3. Sunil Kumar Goyal

3. Average net profit of the Company for the last three financial years

Financial year	Net Profit after adjustments (Rs in Millions)
2016-17	9,517
2015-16	15,094
2014-15	15,703
Average Net profit	**13,438**

4. Prescribed CSR expenditure (two percent of the amount as in item 3 above):

Two percent of the average net profit as in item 3 above - Rs 268 Million

5. Details of CSR spent during the financial year:

Total amount to be spent for the financial year	Rs. 268 Million
Amount spent towards CSR activities	Rs 100 Million
Amount Unspent	Rs. 168 Million (Refer para 6)
Manner in which amount spent during the financial year is detailed below:	

CSR project or activity identified	Sector in which the project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs Sub-heads: (1) Direct expenditure on projects or programs (2) Overheads:	Cumulative expenditure upto the reporting period	Amount spent: Direct or through implementing agency
Eligible CSR Programs						

Satya Bharti School Program	Promotion of education	Specified as below*	Rs. 268 Million	Rs 100 Million	Rs. 355 Million	Bharti Foundation

*District wise/ state wise details of Satya Bharti School Program - Kaithal, Kurukshetra, Jhajjar, Mahendergarh, Rewari in Haryana; Amritsar, Ludhiana, Sangrur in Punjab; Amer, Neemrana, Jodhpur in Rajasthan; Sivaganga in Tamil Nadu; Farrukhabad, PPES, Shahjahanpur in Uttar Pradesh and Mushirdabad in West Bengal

6. **In case the Company has failed to spend the two percent of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board report.**

   Despite the unprecedented challenges and pressure on the telecom industry, the Company had made an aggregate CSR spending of Rs 100 million for financial year 2017-18. The Company is committed to build its CSR capabilities on a sustainable basis and is also committed to gradually increase its CSR contribution in the coming years. The CSR spending is guided by the vision of creating long-term benefit to the society. The Company through its Board and CSR Committee is determined to beef up its efforts to meet the targeted CSR expenditure. The Company believes that it has made meaningful progress towards reaching the target in the coming financial years.

   Further, during the year, Bharti Family has pledged a significant amount towards philanthropy, which will step-up scope and reach of Bharti Foundation's initiatives to create opportunities for the underprivileged and contribute to nation building. Plan is to set up a world-class University namely Satya Bharti University, to offer free education to deserving youth from economically weaker sections of society.

7. We affirm that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

For and on behalf of the Board
For Bharti Hexacom Limited

Date: May 25, 2018
Place: New Delhi

Devendra Khanna
Director
DIN: 01996768
Address: S-333 First Floor ,
Panchsheel Park, New Delhi

Shefali Malhotra
Chairman - CSR Committee
DIN: 07143784
Address: J-6/95 2nd Floor
Rajouri Garden New Delhi

ANNEXURE B

Bharti Hexacom Limited – Nomination & Remuneration Policy

Preamble

The Board of Directors (the "Board") on the recommendation of the Nomination & Remuneration Committee (the "Committee") has approved and adopted this Nomination, Remuneration Policy (the "Policy") in compliance with the provisions of Section 178 of the Companies Act, 2013 and rules made thereunder.

Objectives

The main objectives of this Policy are:-

- To lay down criteria and terms and conditions with regard to identifying persons who are qualified to become directors (executive and non-executive including Independent directors), Key Managerial Personnel ("KMP") and persons who may be appointed in senior management positions.

- To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage for the Company.

- To determine remuneration of directors, KMPs.

- To provide for rewards linked directly to their effort, performance, dedication and achievement of Company's targets.

A. Attributes, qualifications and diversity

Directors and Key Managerial Personnel

The Committee shall be responsible for identifying a suitable candidate for appointment as director or as KMP of the Company.

The Board shall consist of such number of Directors as is necessary to effectively manage the Company of the size and nature as of Bharti Hexacom Limited, subject to compliance with the provisions of Companies Act, 2013, Articles of Association of the Company and Shareholders Agreement. The Board shall strive to have an appropriate combination of Executive, Non-Executive and Independent Directors.

While evaluating a person for appointment / re-appointment as director or as KMP, the Committee shall consider and evaluate number of factors including but not limited to knowledge, integrity, skills, abilities (ability to exercise sound judgement), professional experience, personal accomplishment, age, understanding of the telecommunication sector / industry, marketing, technology, finance and other disciplines relevant to the business etc. and such other factors that the Committee might consider relevant and applicable from time to time towards achieving a diverse Board.

The Committee shall ensure that the proposed director satisfies the following additional criteria:-

- Eligible for appointment as a director on the board of the Company and is not disqualified in terms of Section 164 and other applicable provisions of the Companies Act 2013.
- Has attained minimum age of 25 years and is not older than 70 years.
- Does not hold directorship in more than 20 companies (including private and public limited companies) or 10 public limited companies incorporated in India.
- Will be able to devote sufficient time and efforts in discharge of duties and responsibilities effectively.

achievement against pre-determined KRAs), his / her respective Business Unit and the overall company's performance (c) Long term incentive / ESOPs as may be decided by the Nomination and Remuneration Committee from time to time.

Remuneration to Key Managerial Personnel (other than Managing Director and Whole-Time Director) and other employees in Senior Management

The remuneration of Key Managerial Personnel (other than managing director and whole time director) shall be decided on case to case basis.

The remuneration payable to other employees in senior management and any revision thereof shall be done as per the compensation and appraisal policy of the Company.

The remuneration payable to key managerial personnel and other employees in senior management shall consist of (a) Fixed Pay, which is payable monthly and include basic pay, contributions to retirement benefits, house rent allowance or company-leased accommodation and other allowances as per the Company's policy (b) Variable Pay (paid at the end of Financial Year) directly linked to the performance of the individual employee (i.e. achievement against pre-determined KRAs), his / her respective business unit and the overall Company performance (c) Long term incentive / ESOPs as may be decided by the Committee from time to time.

Disclosures by the Company

This Policy shall be disclosed in the Company's annual report.

General

The Directors of the Company and Company Secretary are jointly authorized to amend the Policy to give effect to any changes / amendments notified by Ministry of Corporate Affairs w.r.t. any matter covered by this policy. The amended policy shall be placed before the Board for noting and ratification.

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For and on behalf of the Board
For Bharti Hexacom Limited

Devendra Khanna
Chairman
DIN: 01996768
Address: S333, First Floor,
Panchsheel Park, New Delhi.

Date: May 25, 2018
Place: New Delhi

ANNEXURE - C

SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED MARCH 31, 2018

The Members,
Bharti Hexacom Limited
Bharti Crescent, 1,
Nelson Mandela Road
Vasant Kunj, Phase - II
New Delhi-110070

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Bharti Hexacom Limited (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/ statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on March 31, 2018 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2018 according to the provisions of:

(i) The Companies Act, 2013 (the Act) and the rules made thereunder;

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder to the extent of Regulation 55A; Not Applicable

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'): Not Applicable

a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;

c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;

d) The Securities and Exchange Board of India (Share Based employee Benefits) Regulations, 2014;

CHANDRASEKARAN ASSOCIATES NEW DELHI COMPANY SECRETARIES

e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 ;

f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client to the extent of securities issued;

g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;

h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998.

(vi) The other laws, as informed and certified by the management of the Company which are specifically applicable to the Company based on their sectors/ industry are:

(a) The Indian Telegraph Act, 1885

(b) The Telecom Regulatory Authority of India Act, 1997 and Rules and Regulations made thereunder.

(c) The Indian Wireless Telegraphy Act, 1933

We have also examined compliance with the applicable clauses of the following:

(i) Secretarial Standards issued by The Institute of Company Secretaries of India and notified by Ministry of Corporate Affairs.

(ii) SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015; Not Applicable

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

We further report that:

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance (except in cases where meetings were convened at a shorter notice for which necessary approvals obtained as per applicable provisions), and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions at Board Meetings and Committee Meetings are carried out unanimously as recorded in the minutes of the meetings of the Board of Directors or Committee of the Board, as the case may be.

We further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

CHANDRASEKARAN ASSOCIATES NEW DELHI COMPANY SECRETARIES

We further report that during the audit period Board of Directors of the Company has approved Scheme of arrangement between Company, Bharti Airtel Limited and Tata Teleservices Limited ('TTSL') for the demerger of the consumer wireless mobile business of TTSL into the company, subject to necessary approvals and the said event deemed to have major bearing on the company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc.

For Chandrasekaran Associates
Company Secretaries

CHANDRASEKARAN ASSOCIATES
NEW DELHI
COMPANY SECRETARIES

Lakhan Gupta
Partner
Membership No. A36583
Certificate of Practice No.:13725

Place: Delhi
Date: 25.05.2018

Note: This report is to be read with our letter of even date which is annexed as Annexure-A and forms an integral part of this report.

Annexure-A to the Secretarial Audit Report

The Members
Bharti Hexacom Limited
Bharti Crescent, 1,
Nelson Mandela Road
Vasant Kunj, Phase - II
New Delhi-110070

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.

2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on the random test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.

3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.

4. Wherever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.

5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on the random test basis.

6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For Chandrasekaran Associates
Company Secretaries

CHANDRASEKARAN ASSOCIATES ★ NEW DELHI ★ COMPANY SECRETARIES

Lakhan Gupta
Partner
Membership No. A36583
Certificate of Practice No.: 13725

Place: Delhi
Date: 25.05.2018

ANNEXURE - D

Form No. MGT-9

EXTRACT OF ANNUAL RETURN

As on the financial year ended on March 31, 2018

[Pursuant to section 92(3) *of the Companies Act, 2013* and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

i) **CIN:-** U74899DL1995PLC067527

ii) **Registration Date:-** April 20, 1995

iii) **Name of the Company:-** Bharti Hexacom Limited

iv) **Category / Sub-Category of the Company:** Company Limited by shares/Non-Government Company

v) **Address of the Registered office and contact details:** Bharti Crescent, 1, Nelson Mandela Road, Vasant Kunj, Phase - II, New Delhi - 110070

vi) **Whether listed company (Yes / No):-** No

vii) **Name, Address and Contact details of Registrar and Transfer Agent, if any:** Karvy Computershare Private Limited, Plot No 31 & 32 | Financial District, Nanakramguda Gachibowli, Hyderabad - 500 032

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:-

Sl. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
1	Activities of Internet access by the operator of the wireless infrastructure	61201	18.9%
2	Activities of maintaining and operating pageing, cellur and other tetecommunication networks	61202	80.9%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES:-

S. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary /Associate	% of shares held	Applicable Section
1	**Bharti Airtel Limited** Bharti Crescent, 1, Nelson Mandela Road, Vasant Kunj, Phase – II, New Delhi - 110070	L74899DL1995PLC070609	Holding	70%	Section 2(46)

IV. **SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)**

i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) **Indian**									
a) Individual/ HUF	-	-	-	-	-	-	-	-	-
b) Central Govt	-	-	-	-	-	-	-	-	-
c) State Govt(s)	-	-	-	-	-	-	-	-	-
d) Bodies Corp *	174999995	5	175000000	70	174999995*	5	175000000	70	Nil
e) Banks / FI	-	-	-	-	-	-	-	-	-
f) Any Other….	-	-	-	-	-	-	-	-	-
Sub-total (A) (1):-	**174999995**	**5**	**175000000**	**70**	**174999995**	**5**	**175000000**	**70**	**Nil**
(2) **Foreign**									
a) NRIs – Individuals	-	-	-	-	-	-	-	-	-
b) Other – Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	-	-	-	-	-	-	-	-
d) Banks / FI	-	-	-	-	-	-	-	-	-
e) Any Other….	-	-	-	-	-	-	-	-	-
Sub-total (A) (2):-	-	-	-	-	-	-	-	-	-
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	**174999995**	**5**	**175000000**	**70**	**174999995**	**5**	**175000000**	**70**	**Nil**
B. **Public Shareholding**									
1. **Institutions**									
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks / FI	-	-	-	-	-	-	-	-	-
c) Central Govt	75000000	-	75000000	30	75000000	-	75000000	30	NIL
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIIs	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
Sub-total (B)(1):-	75000000	-	75000000	30	75000000	-	75000000	30	NIL

2. Non-Institutions									
a) Bodies Corp.									
(i) Indian	-	-	-	-	-	-	-	-	-
(ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals									
(i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	-	-	-	-	-	-	-	-	-
(ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh	-	-	-	-	-	-	-	-	-
c) Others	-	-	-	-	-	-	-	-	-
Sub-total (B)(2):-		-				-			
Total Public Shareholding (B)=(B)(1)+ (B)(2)	**75000000**	-	**75000000**	**30**	**75000000**	-	**75000000**	**30**	**Nil**
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	**249999995**	**5**	**250000000**	**100**	**249999995**	**5**	**250000000**	**100**	**Nil**

*Including 5 shares held by its nominees

(ii) ***Shareholding of Promoters***

Sl. No	Shareholder Name	Shareholding at the beginning of the year			Shareholding at the end of the year			
		No. of Shares	% of total Shares of the company	%of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	%of Shares Pledged / encumbered to total shares	% change in shareholding during the year
1	Bharti Airtel Limited *	175000000	70	Nil	175000000	70	Nil	-
	Total	**175000000**	**70**	**Nil**	**175000000**	**70**	**Nil**	-

*Including 5 shares held by its nominees

(iii) ***Change in Promoters' Shareholding (please specify, if there is no change)***

Name of the Promoter – Bharti Airtel Limited (No Change)

	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
At the beginning of the year	175000000	70	175000000	70
Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	N.A.	N.A.	175000000	70
At the End of the year	175000000	70	175000000	70

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

Name of the Shareholder:- Telecommunications Consultants India Limited (No Change)

	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No. of shares	% of total shares of the	No. of shares	% of total shares of the company
At the beginning of the year	75000000	30	75000000	30
Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.)	-	-	75000000	30
At the End of the year (or on the date of separation, if separated during the year)	75000000	30	75000000	30

(v) Shareholding of Directors and Key Managerial Personnel: NIL

No Director / KMP hold any share in the Company except Devendra Khanna and Mukesh Hassanand Bhavnani who hold one equity share each in the Company as nominee of Bharti Airtel Limited.

S. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	For Each of the Directors and KMP	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year				
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):				
	At the End of the year				

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding / accrued but not due for payment

(Amount in Rs. Millions)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	-	12,140,000,000	-	12,140,000,000
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	2,503,630.14	-	2,503,630.14
Total (i+ii+iii)	-	12,142,503,630.14	-	12,142,503,630.14
Change in Indebtedness during the financial year				
· **Addition**	-	68,662,716,315.74	-	68,662,716,315.74
· **Reduction**	-	63,930,000,000.00	-	63,930,000,000.00
Net Change	-	16,872,716,315.74	-	16,872,716,315.74
Indebtedness at the end of the financial year				
i) Principal Amount	-	16,872,716,315.74	-	16,872,716,315.74
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	9,299,068.49	-	9,299,068.49
Total (i+ii+iii)	-	16,882,015,384.24	-	16,882,015,384.24

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. ***Remuneration to Managing Director, Whole-time Directors and/or Manager:*** *Not Applicable. The Company did not have any MD / WTD during the FY 2016-17.*

S.No.	Particulars of Remuneration	Name of MD/ WTD/Manager	Total Amount
1.	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961		
2.	Stock Option		
3.	Sweat Equity		
4.	Commission - as % of profit - others, specify...		
5.	Others, please specify		
	Total (A)		
	Ceiling as per the Act		

B. **Remuneration to other directors:**

Particulars of Remuneration	**Name of the Director(s)**		**Total Amount**
	Sunil Kumar Goyal	**Ravi Kumar Kaushal**	
Independent Directors - Fee for attending board committee meetings - Commission - Others, please specify	75,000 Nil Nil	1,25,000 Nil Nil	2,00,000 Nil Nil
Total (1)	75,000	1,25,000	2,00,000

Particulars of Remuneration	Devendra Khanna	Nilanjan Roy	**A.K. Gupta (resigned w.e.f. November 20, 2017)**	**Rajiv Gupta (resigned w.e.f. August 28, 2017)**	**Shefali Malhotra**	**A.Seshagiri Rao (appointed w.e.f. September 07, 2017)**	**Narendra Jain (appointed w.e.f. December 01, 2017)**	**Mukesh H Bhavnani**	**Total**
Other Non-Executive Directors									
- Fee for attending board committee meetings	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
- Commission	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
- Others,									
Total (2)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Total (B)=(1+2)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Rs 2,00,000
Total Managerial Remunerati	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Rs 2,00,000
Overall Ceiling as per the Act	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A

C. **Remuneration to key managerial personnel other than MD/Manager/WTD: -** Since appointment of KMP(s) have been made without any remuneration. Hence, this clause does not apply.

S.No.	Particulars of Remuneration	Key Managerial Personnel			
		CEO	Company Secretary	CFO	Total
1.	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961				
2.	Stock Option				
3.	Sweat Equity				
4.	Commission - as % of profit - others, specify...				
5.	Others, please specify				
	Total				

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES: - NIL

Type	Section of the Companies Act	Brief Description	Details of Penalty/ Punishment/ Compounding fees imposed	Authority [RD/ NCLT / Court]	Appeal made, if any (give details)
A. Company					
Penalty					
Punishment					
Compounding					
B. Directors					
Penalty					
Punishment					
Compounding					
C. Other Officers In Default					
Penalty					
Punishment					
Compounding					

For and on behalf of the Board

Date: May 25, 2018
Place: New Delhi

Devendra Khanna
Chairman
DIN: 01996768
Address: S333, First Floor,
Panchsheel Park, New Delhi.

ANNEXURE E

Form No. AOC-2

PARTICULARS OF CONTRACTS/ARRANGEMENTS MADE WITH RELATED PARTIES
(Pursuant to *clause (h) of sub-section (3) of section 134 of the Act and* Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto

1. Details of contracts or arrangements or transactions not at arm's length basis:

There were no contracts or arrangements or transactions entered into during the year ended March 31, 2018 which were not at arm's length basis.

2. (a) Details of material* contracts or arrangement or transactions at arm's length basis:

The details of material contracts or arrangements at arm's length basis for the year ended March 31, 2018 are as follows:

Name of related party Bharti Airtel Limited

Nature of relationship Holding Company

Amount. in Rupees Million

Nature of contract	Duration of contract	Salient terms of the contract	Amount	Date(s) of Approval by the Board	Amount paid as Advances
Purchase of fixed assets	Ongoing	On arm's length basis and in ordinary course of business	1220	N.A.	Nil
Rendering of services	Ongoing	On arm's length basis and in ordinary course of business	8709	N.A.	Nil
Receiving of services	Ongoing	On arm's length basis and in ordinary course of business	17414	N.A.	Nil

2. (b) Details of material* contracts or arrangement or transactions at arm's length basis:

The details of material contracts or arrangements at arm's length basis for the year ended March 31, 2018 are as follows:

Name of related party Bharti Infratel Limited

Nature of relationship Fellow Subsidiary Company

Amount. in Rupees Million

Nature of contract	Duration of contract	Salient terms of the contract	Amount	Date(s) of Approval by the Board	Amount paid as Advances
Receiving of services	Ongoing	On arm's length basis and in ordinary course of business	1687	N.A.	Nil

Name of related party Indus Towers Limited

Nature of relationship Fellow Subsidiary Company

Amount. in Rupees Million

Nature of contract	Duration of contract	Salient terms of the contract	Amount	Date(s) of Approval by the Board	Amount paid as Advances
Receiving of services	Ongoing	On arm's length basis and in ordinary course of business	1836	NA	NIL

*Since the term 'Material' has not been defined under Companies Act, 2013, therefore the company has considered the threshold limits prescribed under Rule 15 (3) of Companies (Meetings of Board and its powers) Rules, 2014 for the purpose of disclosure in Form AOC-2.

For and on behalf of the Board
For Bharti Hexacom Limited

Date: May 25, 2018
Place: New Delhi

Devendra Khanna
Chairman
DIN: 01996768
Address: S333, First Floor,
Panchsheel Park, New Delhi.

ANNEXURE - F

INFORMATION RELATED TO CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, RESEARCH AND DEVELOPMENT AND FOREIGN EXCHANGE EARNING AND OUTGO FORMING PART OF DIRECTORS' REPORT IN TERMS OF SECTION 134(3)(m) OF THE COMPANIES ACT, 2013 READ WITH RULE (8)(3) OF THE COMPANIES (ACCOUNTS) RULES, 2014

Conservation of Energy and Technology Absorption

Bharti Hexacom is fully committed toward reducing carbon footprint and conserving energy at our sites. The Company has been evaluating various practice and innovation across industry to ensure the optimal use of energy, avoid wastage and conserve energy. The following are the list of practices and their status updated which have been implemented to conserve energy in financial year 2018:

Rajasthan Circle

Conservation of Energy:

1) Diesel Reduction by better governance and operational efficiency à 99,792 Litre.
2) Conversion of low EB availability 3p feeder to high EB availability 1p feeder à 115 Sites.
3) Conversion of Low EB availability Rural feeder to High EB Availability Urban feeder à 39 Sites.

Technology Absorption:

1) Implementation of Low Cost Air cooling (NCU) / Air Conditioning (MCU) à 206 Sites.

Leading to conversion of Additional 286 Green Sites in our Circle.

In order to continue the focus on energy conservation and reduction of Diesel footprint the Company is implementing following projects in financial year 2019:

Conservation of Energy:

1) Diesel Reduction on Sites with Urban / 1ph Connection Sites à FY'19 – 120K Target.
2) Conservation of Energy vide
   a. AC Removal from Site à 692 Sites
   b. Battery Bank Consolidation – 151 Sites
   c. BB Charging Current Reduction – 672 Sites.
   d. NCU and MCU Implementation – 448 Sites.
3) EB Supply conversion from
   a. 3p to 1ph – 272 Sites.

Technological Absorption:

1) Implementation of RAN power saving features i.e. Auto TRX Shutdown.
2) Swapping of traditional high consumption BTS with Low power consumption SRAN BTS in our Network.
3) Implementation of DC AC in our OFC / BSC Sites, this reduces AC energy consumption by Half.

North East Circle:

Conservation of Energy:

1) Diesel Reduction by better governance and operational efficiency à 4,34,873 Litres.
2) Conversion of Non EB sites to EB sitesà 16 Sites.

Technology Absorption:

1) Implementation of Low Cost Air cooling (NCU) / Air Conditioning (MCU) à 130 Sites.

Leading to conversion of Additional 146 Green Sites in our Circle.

In order to continue our focus on energy conservation and reduction of Diesel footprint we are implementing following projects in financial year 2019:

Conservation of Energy:

1) Diesel Reduction by better governance and operational efficiency à FY'19 – 150K Target.
2) Conservation of Energy vide
   a. Lithium Ion Battery Installation à 50 Sites
   b. NCU and MCU Implementation – 110 Sites.
3) Conversion of Non EB sites to EB sitesà 40 Sites.

Technological Absorption:

1) Implementation of RAN power saving features i.e. Auto TRX Shutdown.
2) Swapping of traditional high consumption BTS with Low power consumption SRAN BTS in our Network

Foreign Exchange Earnings and Outgo

In Rupees Millions

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Foreign Exchange Earnings	72.7	119
Foreign Exchange Outgo	42.3	77
CIF value of Imports	2659	698

For and on behalf of the Board
Bharti Hexacom Limited

Devendra Khanna
Chairman
DIN: 01996768
Address: S333, First Floor,
Panchsheel Park, New Delhi.

Date: May 25, 2018
Place: New Delhi

Deloitte Haskins & Sells LLP

Chartered Accountants
7th Floor, Building 10, Tower B
DLF Cyber City Complex
DLF City Phase - II
Gurugram - 122 002
Haryana, India

Tel: +91 124 679 2000
Fax: +91 124 679 2012

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
BHARTI HEXACOM LIMITED

Report on the Financial Statements

We have audited the accompanying Financial Statements of **BHARTI HEXACOM LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows and the Statement of Changes in Equity for the year ended on that date and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "Financial Statements").

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act,2013 ("the Act") with respect to the preparation of these Financial Statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Companies Act,2013 read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, and other accounting principles generally accepted in India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Financial Statements based on our audit.

In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder and the Order issued under section 143(11) of the Act.

We conducted our audit of the Financial Statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Board of Directors, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the Financial Statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Financial Statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the Ind AS and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2018, its loss, total comprehensive loss, changes in equity and its cash flows for the year ended on that date.

Emphasis of Matter

We draw attention to Note 21(i) (f) (v) to the Financial Statements which describes the uncertainties related to the legal outcome of Department of Telecommunications demand with respect to one time spectrum charges.

Our opinion is not modified in respect of this matter.

Other Matter

The comparative financial information of the Company for the year ended March 31, 2017 prepared in accordance with Ind AS included in these Financial Statements have been audited by the predecessor auditor. The report of the predecessor auditor on comparative financial statements for the year ended and as at March 31, 2017 dated May 26, 2017 expressed an unqualified opinion. Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit we report that:

   a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

   b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

   c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Statement of Cash Flows and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.

d) In our opinion, the aforesaid financial statements comply with the Indian Accounting Standards prescribed under section 133 of the Act.

e) On the basis of the written representations received from the directors of the Company as on 31st March, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2018 from being appointed as a director in terms of Section 164(2) of the Act.

f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.

g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:

   i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements.

   ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.

   iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Hemant M. Joshi
Partner
(Membership No. 38019)

Place: New Delhi
Date: May 25, 2018

Deloitte
Haskins & Sells LLP

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1 (f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Bharti Hexacom Limited ("the Company") as of March 31, 2018 in conjunction with our audit of the Financial Statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018 , based on the criteria for internal control over financial reporting established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Hemant M. Joshi
Partner
(Membership No. 38019)

Place: New Delhi
Date: May 25, 2018

ANNEXURE "B" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

i. In respect of its fixed assets:

   a) The Company has maintained proper records showing full particulars with respect to most of its fixed assets, and is in the process of updating quantitative and situation details with respect to certain fixed assets in the records maintained by the Company.

   b) The Company has a program of verification of fixed assets to cover all the items in a phased manner over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, certain fixed assets were physically verified by the Management during the year. According to the information and explanations given to us, no material discrepancies were noticed on such verification.

   c) According to the information and explanations given to us, the records examined by us and based on examination of property tax receipts, utility bills, lease agreement for land on which building is constructed, registered sale deed / transfer deed / conveyance deed or court orders approving schemes of arrangements /amalgamations provided to us, we report that, the title in respect of self-constructed buildings and the title deeds, comprising all the immovable properties of land and buildings which are freehold, are held in the name of the Company as at the balance sheet date.

   In respect of immovable properties that have been taken on lease and disclosed as property, plant and equipment in the financial statements, based on our examination of the lease agreements or court orders approving the schemes of arrangement or amalgamations, we report that the lease agreements are in the name of the Company, where the Company is the lessee in the agreement."

ii. As explained to us, the inventories, except for those lying with the third parties, were physically verified during the year by the Management at reasonable intervals and no material discrepancies were noticed on physical verification.

iii. According to information and explanation given to us, the Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013.

iv. In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities granted in respect of which provisions of Section 185 and 186 of the Companies Act, 2013 are applicable.

v. According to the information and explanations given to us, the Company has not accepted any deposits from the public to which the directives issued by the Reserve Bank of India and the provisions of sections 73 to 76 of the Companies Act, 2013 and the rules framed there under are applicable.

vi. The maintenance of cost records has been specified by the Central Government under section 148(1) of the Companies Act, 2013. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Records and Audit) Rules, 2014, as amended prescribed by the Central Government under sub-section (1) of Section 148 of the Companies Act, 2013, and are of the opinion that, prima facie, the prescribed cost records have been made and maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

vii. According to the information and explanations given to us, in respect of statutory dues:

(a) The Company is regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Service Tax, Goods and Services Tax, Customs Duty, Value Added Tax, cess and other material statutory dues applicable to it to the appropriate authorities. As explained to us, the provisions relating to duty of excise are not applicable to the Company.

(b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Value Added Tax, Service Tax, Goods and Services Tax, Customs Duty, cess and other material statutory dues in arrears as at March 31, 2018 for a period of more than six months from the date they became payable.

(c) There are no dues of Goods and Service Tax, cess which have not been deposited on account of any dispute. Details of dues of Income-tax, Sales Tax, Value Added Tax, Service Tax and Customs Duty which have not been deposited as on March 31, 2018 on account of disputes are given below:

Name of the Statutes	Nature of the Dues	Amount Disputed (in Rs. Million)	Period to Which the amount Relates	Forum where the dispute is pending
Finance Act, 1994 (Service tax provisions)	Service Tax	15	FY 2006-16	Commissioner Appeals
Finance Act, 1994 (Service tax provisions)	Service Tax	767	FY 2000-14	Tribunal
Finance Act, 1994 (Service tax provisions)	Service Tax	0*	FY 2007-16	Assistant Commissioner

Name of the Statutes	Nature of the Dues	Amount Disputed (in Rs. Million)	Period to Which the amount Relates	Forum where the dispute is pending
Finance Act, 1994 (Service tax provisions)	Service Tax	1	FY 2013-15	Audit Supdtt.
Custom Act, 1962	Custom Act	182	FY 2001-05	Supreme Court
Income Tax Act 1961	Income tax	1	FY 2003-04	Supreme Court
Income Tax Act 1961	Income tax	513	FY 2003-04 to FY 2012-13	High Court
Income Tax Act 1961	Income tax	167	FY 2003-04 to FY 2013-14	Income Tax Appellate Tribunal
Income Tax Act 1961	Income tax	346	FY 2011-2015	Commissioner Of Income Tax Appeals

The above mentioned figures represent the total disputed cases without any assessment of Probable, Possible and Remote, as done in case of Contingent Liabilities. Of the above cases, total amount deposited in respect of Service Tax is 44 Mn, Income Tax is 605 Mn and Custom Duty is 91 Mn.

* Amount less than million are appearing as '0'.

viii. In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to financial institutions, banks and government. The Company has not issued any debentures.

ix. During the current year, the Company has not raised moneys by way of initial public offer or further public offer (including debt instruments). In our opinion and according to the information and explanations given to us, the term loans have been applied by the Company during the year for the purposes for which they were raised, other than temporary deployment pending application of proceeds.

x. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.

xi. In our opinion and according to the information and explanations given to us, the Company has paid / provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.

xii. The Company is not a Nidhi Company and hence reporting under clause 3 (xii) of the Order is not applicable.

xiii. In our opinion and according to the information and explanations given to us the Company is in compliance with Section 177 and 188 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements etc. as required by the applicable accounting standards.

xiv. During the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause 3 (xiv) of the Order is not applicable to the Company.

xv. In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or directors of its holding company, or persons connected with them and hence provisions of section 192 of the Companies Act, 2013 are not applicable.

xvi. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Hemant M. Joshi
Partner
(Membership No. 38019)

Place: New Delhi
Date: May 25, 2018

Ind AS Financial Statements

Bharti Hexacom Limited
Balance Sheet
(All amounts are in millions of Indian Rupees)

	Notes	As of March 31, 2018	As of March 31, 2017
Assets			
Non-current assets			
Property, plant and equipment	6	25,618	20,406
Capital work-in-progress	6	1,326	634
Intangible assets	7	61,215	62,675
Intangible assets under development	7	1,785	259
Financial assets			
- Investments	8	0	0
- Derivative financial assets		-	6
- Security deposits		561	512
- Others	9	251	293
Income tax assets		1,323	556
Deferred tax assets	10	823	289
Other non-current assets	11	1,637	4,954
		94,539	**90,584**
Current assets			
Financial assets			
- Derivative financial assets		-	5
- Trade receivables	12	1,508	1,848
- Cash and cash equivalents	13	774	786
- Other bank balances	14	290	178
- Others	9	770	815
Other current assets	11	5,589	2,521
		8,931	**6,153**
Total assets		**103,470**	**96,737**
Equity and liabilities			
Equity			
Share capital	15	2,500	2,500
Other equity	15	62,393	64,328
		64,893	**66,828**
Non-current liabilities			
Financial liabilities			
-Borrowings	16	880	1,758
-Others	17	1,352	1,417
Deferred revenue		129	99
Provisions	18	267	237
Other non current liabilities	19	-	49
		2,628	**3,560**
Current liabilities			
Financial liabilities			
-Borrowings	16	19,506	11,036
-Current maturities of long-term borrowings	16	880	1,630
-Trade payables	20	9,811	7,404
-Others	17	917	3,300
Deferred revenue		2,018	2,026
Provisions	18	32	33
Current tax liabilities		1,364	596
Other current liabilities	19	1,421	324
		35,949	**26,349**
Total liabilities		**38,577**	**29,909**
Total Equity and liabilities		**103,470**	**96,737**

The accompanying notes form an integral part of these financial statements.

As per our report of even date

For DELOITTE HASKINS & SELLS LLP
Chartered Accountants
(Firm's Registration No: 117366W / W-100018)

Hemant M. Joshi
Partner
Membership No: 38019

DELOITTE HASKINS & SELLS LLP Chartered Accountants

Place: New Delhi

For and on behalf of the Board of Directors of Bharti Hexacom Limited

Shefali Malhotra
Director
(DIN: 07143784)

Devendra Khanna
Director
(DIN: 01996768)

Swati Batra
Company Secretary

Akhil Garg
Chief Financial Officer

Date: May 25, 2018

Bharti Hexacom Limited
Statement of Profit and Loss
(All amounts are in millions of Indian Rupees; except per share data)

	Notes	For the year ended March 31, 2018	For the year ended March 31, 2017
Income			
Revenue from operations	22	44,083	51,255
Other income		98	58
		44,181	**51,313**
Expenses			
Network operating expenses	23	10,812	10,607
Access charges		17,144	10,317
License fee / spectrum charges (revenue share)		3,738	5,629
Employee benefits expense	24	829	897
Sales and marketing expenses	25	1,900	2,192
Other expenses	26	1,923	2,125
		36,346	**31,767**
Profit from operating activities before depreciation, amortization and exceptional items		**7,835**	**19,546**
Depreciation and amortisation	27	8,687	8,511
Finance costs	28	1,345	937
Finance income	28	(572)	(81)
Non-operating expenses	29	59	8
(Loss) / profit before exceptional items and tax		**(1,684)**	**10,171**
Exceptional items	30	77	376
(Loss) / profit before tax		**(1,761)**	**9,795**
Tax (credit) / expenses			
Current tax	10	(109)	2,986
Deferred tax	10	(533)	208
(Loss) / profit for the year		**(1,119)**	**6,601**
Other comprehensive income:			
Items not be reclassified to profit or loss :			
Re-measurement income / (loss) on defined benefit plans		3	(1)
Income tax (charge) / credit		(1)	0
Other comprehensive income / (loss) for the year		**2**	**(1)**
Total comprehensive (loss) / income for the year		**(1,117)**	**6,600**
Earnings per share (Face value : Rs. 10/- each) (In Rupees)			
Basic and Diluted	31	**(4.48)**	**26.40**

The accompanying notes form an integral part of these financial statements.

As per our report of even date
For DELOITTE HASKINS & SELLS LLP
Chartered Accountants
(Firm's Registration No: 117366W / W-100018)

Hemant M. Joshi
Partner
Membership No: 38019

Place: New Delhi

DELOITTE HASKINS & SELLS LLP Chartered Accountants

For and on behalf of the Board of Directors of Bharti Hexacom Limited

Shefali Malhotra
Director
(DIN: 07143784)

Devendra Khanna
Director
(DIN: 01996768)

Swati Batra
Company Secretary

Akhil Garg
Chief Financial Officer

Date: May 25, 2018

Bharti Hexacom Limited

Statement of changes in equity

(All amounts are in millions of Indian Rupees; except per share data)

	Share capital		Other equity - Reserve and surplus				
	No of shares (in '000)	Amount	Securities premium account	Retained earnings	General reserves	Total	Total equity
As of April 1, 2016	**250,000**	**2,500**	**1,040**	**58,105**	**900**	**60,045**	**62,545**
Profit for the year	-	-	-	6,601	-	6,601	6,601
Other comprehensive loss	-	-	-	(1)	-	(1)	(1)
Total comprehensive income	-	-	-	**6,600**	-	**6,600**	**6,600**
Dividend paid (including tax) @ Rs. 7.70 per share	-	-	-	(2,317)	-	(2,317)	(2,317)
As of March 31, 2017	**250,000**	**2,500**	**1,040**	**62,388**	**900**	**64,328**	**66,828**
Loss for the year	-	-	-	(1,119)	-	(1,119)	(1,119)
Other comprehensive income	-	-	-	2	-	2	2
Total comprehensive loss	-	-	-	**(1,117)**	-	**(1,117)**	**(1,117)**
Dividend paid (including tax) @ Rs. 2.72 per share	-	-	-	(818)	-	(818)	(818)
As of March 31, 2018	**250,000**	**2,500**	**1,040**	**60,453**	**900**	**62,393**	**64,893**

The accompanying notes form an integral part of these financial statements.

As per our report of even date

For DELOITTE HASKINS & SELLS LLP

Chartered Accountants

(Firm's Registration No. 117366W / W-100018)

Hemant M. Joshi

Partner

Membership No. 38019

Place: New Delhi

DELOITTE HASKINS & SELLS LLP Chartered Accountants

For and on behalf of the Board of Directors of Bharti Hexacom Limited

Shefali Malhotra

Director

(DIN: 07143784)

Devendra Khanna

Director

(DIN: 01996768)

Swati Batra

Company Secretary

Akhil Garg

Chief Financial Officer

Date: May 25, 2018

Bharti Hexacom Limited
Cash Flow Statement

(All amounts are in millions of Indian Rupees)

	For the year ended	
	March 31, 2018	**March 31, 2017**
Cash flows from operating activities		
(Loss) / profit before tax	**(1,761)**	**9,795**
Adjustments for:		
Depreciation and amortisation	8,687	8,511
Finance costs	1,345	937
Finance income	(572)	(81)
Exceptional items	73	344
Other non-cash items	266	187
Operating cash flow before changes in working capital	**8,038**	**19,693**
Changes in working capital		
Trade receivables	24	(393)
Trade payables	2,075	586
Provisions	128	9
Other financial and non-financial liabilities	1,189	10
Other financial and non-financial assets	(1,554)	(1,826)
Net cash generated from operations before tax	**9,900**	**18,079**
Income tax refund / (paid)	(18)	(2,917)
Net cash generated from operating activities (a)	**9,882**	**15,162**
Cash flows from investing activities		
Net purchase of property, plant and equipment	(13,325)	(6,220)
Purchase of intangible assets	(1,993)	(10,282)
Interest received	434	59
Net cash used in investing activities (b)	**(14,884)**	**(16,443)**
Cash flows from financing activities		
Proceeds from borrowings	9,822	-
Repayment of borrowings	(12,410)	(5,517)
Net proceeds from short-term borrowings	7,323	8,750
Interest and other finance charges paid	(1,034)	(867)
Dividend paid (including tax)	(818)	(2,317)
Net cash generated from financing activities (c)	**2,883**	**49**
Net decrease in cash and cash equivalents during the year (a+b+c)	**(2,119)**	**(1,232)**
Add : Cash and cash equivalents as at the beginning of the year	(1,500)	(268)
Cash and cash equivalents as at the end of the year	**(3,619)**	**(1,500)**

The accompanying notes form an integral part of these financial statements.

As per our report of even date
For DELOITTE HASKINS & SELLS LLP
Chartered Accountants
(Firm's Registration No. 117366W / W-100018)

Hemant M. Joshi
Partner
Membership No: 38019

Place: New Delhi

For and on behalf of the Board of Directors of Bharti Hexacom Limited

Shefali Malhotra
Director
(DIN: 07143784)

Devendra Khanna
Director
(DIN: 01996768)

Swati Batra
Company Secretary

Akhil Garg
Chief Financial Officer

Date: May 25, 2018

1. Corporate information

Bharti Hexacom Limited ('the Company' or 'BHL') is domiciled and incorporated in India as a limited liability company. The registered office of the Company is situated at Bharti Crescent, 1, Nelson Mandela Road, Vasant Kunj, Phase – II, New Delhi – 110070.

The Company's principal shareholders are Bharti Airtel Limited and Telecommunications Consultants India Limited. BHL was providing Cellular Mobile Telephony Services ('CMTS') in the telecom circle of North-East and Unified Access Service ('UAS') in the telecom circle of Rajasthan in terms of license granted by the Department of Telecommunications ('DoT'), Government of India ('GoI'). Pursuant to the expiry of the CMTS License of North East circle on December 11, 2015 and UAS License of Rajasthan circle on April 20, 2016 the Company has migrated to Unified Licence ('UL') on July 24, 2015 with service authorization for Access Services in North East Service Area from December 12, 2015 and Rajasthan service area from April 22, 2016."

2. Summary of significant accounting policies

2.1 Basis of preparation

These financial statements ('financial statements') have been prepared to comply in all material respects with the Indian Accounting Standard ('Ind AS') as notified by the Ministry of Corporate Affairs ('MCA') under section 133 of the Companies Act, 2013 ('Act'), read together with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) and other relevant provisions of the Act.

The financial statements are approved for issue by the Company's Board of Directors on May 25, 2018

The financial statements are based on the classification provisions contained in Ind AS 1, 'Presentation of Financial Statements' and division II of schedule III of the Companies Act 2013. Further, for the purpose of clarity, various items are aggregated in the statement of profit and loss and balance sheet. Nonetheless, these items are dis-aggregated separately in the notes to the financial statements, where applicable or required.

All the amounts included in the financial statements are reported in millions of Indian Rupees ('Rupees' or 'Rs.') and are rounded to the nearest million, except per share data and unless stated otherwise. Amount less than a million, appearing as '0'.

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Chartered Accountants

The preparation of the said financial statements requires the use of certain critical accounting estimates and judgements. It also requires the management to exercise judgement in the process of applying the Company's accounting policies. The areas where estimates are significant to the financial statements, or areas involving a higher degree of judgement or complexity, are disclosed in Note 3.

The accounting policies, as set out in the following paragraphs of this note, have been consistently applied, by the Company, to all the periods presented in the said financial statements.

Previous year figures have been re-grouped, wherever necessary to conform to current year's classification.

2.2 Basis of measurement

The financial statements have been prepared on the accrual and going concern basis, and the historical cost convention except where the Ind AS requires a different accounting treatment. The principal variations from the historical cost convention relate to financial instruments classified as fair value through profit or loss (refer Note 2.8) - which are measured at fair value.

Fair value measurement

Fair value is the price at the measurement date, at which an asset can be sold or paid to transfer a liability, in an orderly transaction between market participants. The Company's accounting policies require, measurement of certain financial / non-financial assets and liabilities at fair values (either on a recurring or non-recurring basis). Also, the fair values of financial instruments measured at amortised cost are required to be disclosed in the said financial statements.

The Company is required to classify the fair valuation method of the financial / non-financial assets and liabilities, either measured or disclosed at fair value in the financial statements, using a three level fair-value-hierarchy (which reflects the significance of inputs used in the measurement). Accordingly, the Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The three levels of the fair-value-hierarchy are described below:

Level 1: Quoted (unadjusted) prices for identical assets or liabilities in active markets
Level 2: Significant inputs to the fair value measurement are directly or indirectly observable
Level 3: Significant inputs to the fair value measurement are unobservable

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2.3 Foreign currency transactions

The financial statements are presented in Indian Rupees which is the functional and presentation currency of the Company.

Transactions in foreign currencies are initially recorded in the relevant functional currency at the rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the closing exchange rate prevailing as at the reporting date with the resulting foreign exchange differences, on subsequent re-statement / settlement, recognised in the statement of profit and loss within finance income / finance costs. Non-monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rate prevalent, at the date of initial recognition (in case they are measured at historical cost) or at the date when the fair value is determined (in case they are measured at fair value) – the resulting foreign exchange difference, on subsequent re-statement / settlement, recognised in the Statement of profit and loss, except to the extent that it relates to items recognised in the other comprehensive income or directly in equity.
The equity items denominated in foreign currencies are translated at historical cost.

2.4 Current versus non-current classification

The Company presents assets and liabilities in the balance sheet based on current / non-current classification.

Deferred tax assets and liabilities, and all assets and liabilities which are not current (as discussed in the below paragraphs) are classified as non-current assets and liabilities.

An asset is classified as current when it is expected to be realised or intended to be sold or consumed in normal operating cycle, held primarily for the purpose of trading, expected to be realised within twelve months after the reporting period, or cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

A liability is classified as current when it is expected to be settled in normal operating cycle, it is held primarily for the purpose of trading, it is due to be settled within twelve months after the reporting period, or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

Separated embedded derivatives are classified basis the host contract

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Chartered Accountants

2.5 Property, plant and equipment ('PPE')

An item is recognised as an asset, if and only if, it is probable that the future economic benefits associated with the item will flow to the Company and its cost can be measured reliably. PPE are initially recognised at cost. The initial cost of PPE comprises its purchase price (including non-refundable duties and taxes but excluding any trade discounts and rebates), asset retirement obligations (refer note 2.15 (b)) and any directly attributable cost of bringing the asset to its working condition and location for its intended use.

Subsequent to initial recognition, PPE are stated at cost less accumulated depreciation and any impairment losses. When significant parts of PPE are required to be replaced at regular intervals, the Company recognises such parts as separate component of assets. When an item of PPE is replaced, then its carrying amount is de-recognised from the balance sheet and cost of the new item of PPE is recognised. Further, in case the replaced part was not being depreciated separately, the cost of the replacement is used as an indication to determine the cost of the replaced part at the time it was acquired.

The expenditures that are incurred after the item of PPE has been put to use, such as repairs and maintenance, are normally charged to the statement of profit and loss in the period in which such costs are incurred. However, in situations where the said expenditure can be measured reliably, and is probable that future economic benefits associated with it will flow to the Company, it is included in the asset's carrying value or as a separate asset, as appropriate.

Depreciation on PPE is computed using the straight-line method over the estimated useful lives. Freehold land is not depreciated as it has an unlimited useful life. The management basis its past experience and technical assessment has estimated the useful life, which is at variance with the life prescribed in Part C of Schedule II of the Companies Act, 2013 and has accordingly, depreciated the assets over such useful life. The Company has established the estimated range of useful lives for different categories of PPE as follows:

	Years
Leasehold land	Period of lease
Building	20
Building on leased land	20
Leasehold improvements	Period of lease or 10 years, whichever is less
Plant & equipment	3 – 20
Computer	3
Office equipment	2 - 5
Furniture and fixtures	5
Vehicles	5

The useful lives, residual values and depreciation method of PPE are reviewed, and adjusted appropriately, at-least as at each financial year end so as to ensure that the method and period of depreciation are consistent

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Chartered Accountants

with the expected pattern of economic benefits from these assets. The effect of any change in the estimated useful lives, residual values and / or depreciation method are accounted prospectively, and accordingly the depreciation is calculated over the PPE's remaining revised useful life. The cost and the accumulated depreciation for PPE sold, scrapped, retired or otherwise disposed off are de-recognised from the balance sheet and the resulting gains / (losses) are included in the statement of profit and loss within other expenses / other income.

The cost of capital work-in-progress ('CWIP') is presented separately in the balance sheet.

2.6 Intangible assets

Identifiable intangible assets are recognised when the Company controls the asset, it is probable that future economic benefits attributed to the asset will flow to the Company and the cost of the asset can be measured reliably.

The intangible assets are initially recognised at cost. These assets having finite useful life are carried at cost less accumulated amortisation and any impairment losses. Amortisation is computed using the straight-line method over the expected useful life of intangible assets.

The Company has established the estimated useful lives of different categories of intangible assets as follows:

a. Software

Software are amortised over the period of license, generally not exceeding three years.

b. Bandwidth

Bandwidth is amortised over the period of the agreement.

c. Licenses (including spectrum)

Acquired licenses and spectrum are amortised commencing from the date when the related network is available for intended use in the relevant jurisdiction. The useful lives ranges upto twenty years.

The revenue-share based fee on licenses / spectrum is charged to the statement of profit and loss in the period such cost is incurred.

The useful lives and amortisation method are reviewed, and adjusted appropriately, at-least as at each financial year end so as to ensure that the method and period of amortisation are consistent with the expected pattern of economic benefits from these assets. The effect of any change in the estimated useful lives and / or amortisation method is accounted prospectively, and accordingly the amortisation is calculated over the remaining revised useful life.

Further, the cost of intangible assets under development ('IUD') includes the amount of spectrum allotted to the Company and related costs (including borrowing costs that are directly attributable to the acquisition or construction of qualifying assets (refer note 7), if any, for which services are yet to be rolled out and are presented separately in the balance sheet.

2.7 Impairment of non-financial assets

PPE and intangible assets

PPE (including CWIP) and intangible assets with definite lives, are reviewed for impairment, whenever events or changes in circumstances indicate that their carrying values may not be recoverable. Intangible assets under development is tested for impairment, at-least annually and whenever circumstances indicate that it may be impaired. For the purpose of impairment testing, the recoverable amount (that is, higher of the fair value less costs to sell and the value-in-use) is determined on an individual asset basis, unless the asset does not generate cash flows that are largely independent of those from other assets, in which case the recoverable amount is determined at the cash-generating-unit ('CGU') level to which the said asset belongs. If such individual assets or CGU are considered to be impaired, the impairment to be recognised in the statement of profit and loss is measured by the amount by which the carrying value of the asset / CGU exceeds their estimated recoverable amount and allocated on pro rata basis.

Reversal of impairment losses

Impairment losses are reversed in statement of profit and loss and the carrying value is increased to its revised recoverable amount provided that this amount does not exceed the carrying value that would have been determined had no impairment loss been recognised for the said asset in previous years.

2.8 Financial instruments

a. Recognition, classification and presentation

The financial instruments are recognised in the balance sheet when the Company becomes a party to the contractual provisions of the financial instrument.

The Company determines the classification of its financial instruments at initial recognition.

The Company classifies its financial assets in the following categories: a) those to be measured subsequently at fair value through profit or loss, and b) those to be measured at amortised cost.

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The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Company has classified all the non-derivative financial liabilities as measured at amortised cost.

The entire hybrid contract, financial assets with embedded derivatives, are considered in their entirety for determining the contractual terms of the cash flow and accordingly the embedded derivatives are not separated. However, derivatives embedded in non-financial instrument / other financial liabilities host contracts are classified as separate derivatives if their economic characteristics and risks are not closely related to those of the host contracts.

Financial assets and liabilities arising from different transactions are off-set against each other and the resultant net amount is presented in the balance sheet, if and only when, the Company currently has a legally enforceable right to set-off the related recognised amounts and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

b. Measurement – Non derivative financial instruments

I. Initial measurement

At initial recognition, the Company measures the non-derivative financial instruments at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Otherwise transaction costs are expensed in the statement of profit and loss.

II. Subsequent measurement - financial assets

The subsequent measurement of the non-derivative financial assets depends on their classification as follows:

i. Financial assets measured at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost using the effective-interest rate (EIR) method (if the impact of discounting / any transaction costs is significant). Interest income from these financial assets is included in finance income.

ii. Financial assets at fair value through profit or loss (FVTPL)

All financial assets that do not meet the criteria for amortised cost are measured at fair value through profit or loss. Interest (basis EIR method) and dividend income from FVTPL is recognised in the statement of profit and loss within finance income/ finance costs separately from the other gains/ losses arising from changes in the fair value.

Impairment

The company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk since initial recognition. If credit risk has not increased significantly, twelve month, expected credit loss (ECL) is used to provide for impairment loss, otherwise lifetime ECL is used.

However, only in case of trade receivables, the company applies the simplified approach which requires expected lifetime losses to be recognised from initial recognition of the receivables.

III. Subsequent measurement - financial liabilities

Other financial liabilities are initially recognised at fair value less any directly attributable transaction costs. They are subsequently measured at amortised cost using the EIR method (if the impact of discounting / any transaction costs is significant).

c. Measurement –derivative financial instruments

Derivative financial instruments including separated embedded derivatives, are classified as financial instruments at fair value through profit or loss - Held for trading. Such derivative financial instruments are initially recognised at fair value. They are subsequently measured at their fair value, with changes in fair value being recognised in the statement of profit and loss within finance income / finance costs.

d. Derecognition

The financial liabilities are de-recognised from the balance sheet when the under-lying obligations are extinguished, discharged, lapsed, cancelled, expires or legally released. The financial assets are de-recognised from the balance sheet when the rights to receive cash flows from the financial assets have expired, or have been transferred and the Company has transferred substantially all risks and rewards of ownership. The difference in the carrying amount is recognised in the statement of profit and loss.

2.9 Leases

The determination of whether an arrangement is a lease is based on whether fulfillment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Leases where the lessor transfers substantially all the risks and rewards of ownership of the leased asset are classified as finance lease and other leases are classified as operating lease.

Operating lease receipts / payments are recognised as an income / expense on a straight-line basis over the lease term unless the lease payments increase in line with expected general inflation.

a. Company as a lessee

Assets acquired under finance leases are capitalised at the lease inception at lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between finance charges (recognised in the statement of profit and loss) and reduction of the lease liability so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period.

b. Company as a lessor

Assets leased to others under finance lease are recognised as receivables at an amount equal to the net investment in the leased assets. Finance lease income is allocated to periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the finance lease.

Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised in statement of profit and loss on a straight-line basis over the lease term.
The Company enters into "Indefeasible right to use (IRU)" arrangement wherein the assets are given on lease over the substantial part of the asset life. However, the title to the assets and significant risk associated with the operation and maintenance of these assets remains with the Company. Hence, such arrangements are recognised as operating lease. The contracted price is recognised as revenue during the tenure of the agreement. Unearned IRU revenue received in advance is presented as deferred revenue within liabilities in the balance sheet.

2.10 Taxes

The income tax expense comprises of current and deferred income tax. Income tax is recognised in the statement of profit and loss, except to the extent that it relates to items recognised in the other comprehensive income or directly in equity, in which case the related income tax is also recognised accordingly.

a. Current tax

The current tax is calculated on the basis of the tax rates, laws and regulations, which have been enacted or substantively enacted as at the reporting date. The payment made in excess / (shortfall) of the Company's income tax obligation for the period are recognised in the balance sheet under non-current assets as income tax assets / under current liabilities as current tax liabilities.

Any interest, related to accrued liabilities for potential tax assessments are not included in Income tax charge or (credit), but are rather recognised within finance costs.

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b. Deferred tax

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. However, deferred tax are not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The unrecognised deferred tax assets / carrying amount of deferred tax assets are reviewed at each reporting date for recoverability and adjusted appropriately.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Income tax assets and liabilities are off-set against each other and the resultant net amount is presented in the balance sheet, if and only when, (a) the Company currently has a legally enforceable right to set-off the current income tax assets and liabilities, and (b) when it relate to income tax levied by the same taxation authority and where there is an intention to settle the current income tax balances on net basis.

2.11 Inventories

Inventories are stated at the lower of cost (determined using the first-in-first-out method) and net realisable value. The costs comprise its purchase price and any directly attributable cost of bringing to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated variable costs necessary to make the sale.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank balances and any deposits with original maturities of three months or less (that are readily convertible to known amounts of Cash and cash equivalents and subject to an insignificant risk of changes in value). However, for the purpose of the Statement of cash flows, in addition to above items, any bank overdrafts / cash credits that are integral part of the Company's cash management, are also included as a component of Cash and cash equivalents.

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2.13 Share capital / Securities premium account

Ordinary shares are classified as Equity when the Company has an un-conditional right to avoid delivery of cash or another financial asset, that is, when the dividend and repayment of capital are at the sole and absolute discretion of the Company and there is no contractual obligation whatsoever to that effect.

2.14 Employee benefits

The Company's employee benefits mainly include wages, salaries, bonuses, defined contribution to plans, defined benefit plans, compensated absences and deferred compensation. The employee benefits are recognised in the year in which the associated services are rendered by the Company employees.

a. Defined contribution plans

The contributions to defined contribution plans are recognised in profit or loss as and when the services are rendered by employees. The Company has no further obligations under these plans beyond its periodic contributions.

b. Defined benefit plans

In accordance with the local laws and regulations, all the employees in India are entitled for the Gratuity plan. The said plan requires a lump-sum payment to eligible employees (meeting the required vesting service condition) at retirement or termination of employment, based on a pre-defined formula.

The Company provides for the liability towards the said plans on the basis of actuarial valuation carried out quarterly as at the reporting date, by an independent qualified actuary using the projected-unit-credit method.

The obligation towards the said benefits is recognised in the balance sheet, at the present value of the defined benefit obligations less the fair value of plan assets (being the funded portion). The present value of the said obligation is determined by discounting the estimated future cash outflows, using interest rates of government bonds.

The interest income / (expense) are calculated by applying the above mentioned discount rate to the plan assets and defined benefit obligations liability. The net interest income / (expense) on the net defined benefit liability is recognised in the statement of profit and loss. However, the related re-measurements of the net defined benefit liability are recognised directly in the other comprehensive income in the period in which they arise. The said re-measurements comprise of actuarial gains and losses (arising from experience adjustments and changes in actuarial assumptions), the return on plan assets (excluding interest). Re-measurements are not re-classified to the statement of profit and loss in any of the subsequent periods.

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c. Other long-term employee benefits

The employees of the Company are entitled to compensated absences as well as other long-term benefits. Compensated absences benefit comprises of encashment and availment of leave balances that were earned by the employees over the period of past employment.

The Company provides for the liability towards the said benefits on the basis of actuarial valuation carried out quarterly as at the reporting date, by an independent qualified actuary using the projected-unit-credit method. The related re-measurements are recognised in the statement of profit and loss in the period in which they arise.

2.15 Provisions

a. General

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the said obligation, and the amounts of the said obligation can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the relevant obligation, using a pre-tax rate that reflects current market assessments of the time value of money (if the impact of discounting is significant) and the risks specific to the obligation. The increase in the provision due to un-winding of discount over passage of time is recognised within finance costs.

b. Asset retirement obligation (ARO)

ARO are recognised for those operating lease arrangements where the Company has an obligation at the end of the lease period to restore the leased premises in a condition similar to inception of lease. ARO are provided at the present value of expected costs to settle the obligation and are recognised as part of the cost of that particular asset. The estimated future costs of decommissioning are reviewed annually and any changes in the estimated future costs or in the discount rate applied are adjusted from the cost of the asset.

C. Contingencies

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

2.16 Revenue recognition

Revenue is recognised when it is probable that the entity will receive the economic benefits associated with the transaction, the revenue can be measured reliably. Revenue is recognised at the fair value of the

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consideration received or receivable, which is generally the transaction price, net of any taxes / duties discounts and process waivers.

In order to determine if it is acting as a principal or as an agent, the Company assesses whether it has exposure to the significant risks and rewards associated with the sale of goods or the rendering of services.

a. Service revenues

Service revenues mainly pertain to usage subscription and activation charges towards for voice, data, messaging, value added services and broadcasting. It also includes revenue towards access and interconnection / roaming charges for usage of the Company's network by other operators for voice, data, messaging and signaling services.

Usage charges are recognised based on actual usage. Subscription charges are recognised over the estimated customer relationship period or subscription pack validity period, whichever is lower. Customer onboarding revenue and associated cost is recognised upfront. Activation revenue and related activation costs are amortised over the estimated customer relationship period. However, any excess of activation costs over activation revenue are expensed as incurred.

The billing / collection in excess of revenue recognised is presented as deferred revenue in the balance sheet whereas unbilled revenue is recognised within other current financial assets.

b. Interest income

The interest income is recognised using the EIR method. For further details, refer note 2.8.

2.17 Borrowing costs

Borrowing costs consist of interest and other ancillary costs that the Company incurs in connection with the borrowing of funds. The borrowing costs directly attributable to the acquisition or construction of any asset that takes a substantial period of time to get ready for its intended use or sale are capitalised. All the other borrowing costs are recognised in the statement of profit and loss within finance costs of the period in which they are incurred.

2.18 Exceptional items

Exceptional items refer to items of income or expense within the statement of profit and loss from ordinary activities which are non-recurring and are of such size, nature or incidence that their separate disclosure is considered necessary to explain the performance of the Company.

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2.19 Dividends paid

Dividend to shareholders is recognised as a liability and deducted from equity, in the year in which the dividends are approved by the shareholders. However, interim dividends declared by the Board of directors, which does not need shareholders' approval, are recognised as a liability and deducted from retained earnings, in the year in which the dividends are so declared.

2.20 Earnings per share ('EPS')

The Company presents the Basic and Diluted EPS data.

Basic EPS is computed by dividing the profit for the period attributable to the shareholders of the Company by the weighted average number of shares outstanding during the period.

Diluted EPS is computed by adjusting, the profit for the year attributable to the shareholders and the weighted average number of shares considered for deriving Basic EPS, for the effects of all the shares that could have been issued upon conversion of all dilutive potential shares. The dilutive potential shares are adjusted for the proceeds receivable had the shares been actually issued at fair value. Further, the dilutive potential shares are deemed converted as at beginning of the period, unless issued at a later date during the period.

2.21 Non - operating expenses

Non-operating expenses comprise regulatory levies applicable to finance income.

3. Critical accounting estimates, assumptions and judgements

The estimates and judgements used in the preparation of the said financial statements are continuously evaluated by the Company, and are based on historical experience and various other assumptions and factors (including expectations of future events), that the Company believes to be reasonable under the existing circumstances. The said estimates and judgements are based on the facts and events, that existed as at the reporting date, or that occurred after that date but provide additional evidence about conditions existing as at the reporting date.

Although the Company regularly assesses these estimates, actual results could differ materially from these estimates - even if the assumptions under-lying such estimates were reasonable when made, if these results differ from historical experience or other assumptions do not turn out to be substantially accurate. The changes in estimates are recognised in the financial statements in the year in which they become known.

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The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year are discussed below.

a. Impairment reviews

PPE (including CWIP) and intangible assets with definite lives, are reviewed for impairment, whenever events or changes in circumstances indicate that their carrying values may not be recoverable. Similarly, intangible assets under development is tested for impairment, at-least annually and whenever circumstances indicate that it may be impaired. For details as to the impairment policy, refer note 2.7. Accordingly the Company has performed impairment reviews for the above assets. However, the said reviews did not result in any impairment charge.

In calculating the value in use, the Company is required to make significant judgements, estimates and assumptions inter-alia concerning the growth in EBITDA, long-term growth rates and discount rates to reflect the risks involved.

The Company operates in developing market and in such market, the plan for shorter duration is not indicative of the long-term future performance. Considering this and the consistent use of such robust ten year information for management reporting purpose, the Company uses ten year plans for the purpose of impairment testing.

b. Allowance for impairment of trade receivables

The expected credit loss is mainly based on the ageing of the receivable balances and historical experience. The receivables are assessed on an individual basis or grouped into homogeneous groups and assessed for impairment collectively, depending on their significance. Moreover, trade receivables are written off on a case-to-case basis if deemed not to be collectible on the assessment of the underlying facts and circumstances

c. Contingencies

Refer Note 21 (i) for details of contingencies.

d. Property, plant and equipment

Refer Note 2.5 for the estimated useful life and carrying value of property, plant and equipment, respectively.

During the previous year, the Company had reassessed useful life of certain categories of network assets due to technological developments and accordingly had revised the estimate of its useful life in respect of those assets. Out of these assets, the additional depreciation charge of Rs 199 Mn on assets for which the revised useful life had expired by March 31, 2016 had been recognized and disclosed as 'exceptional income / (expenses), net' and additional depreciation charge of Rs 471 Mn for other assets had been recognised within 'Depreciation and amortisation', during the year ended 2016-17. The impact of above change on the depreciation charge for the future period is as follows:

(All amounts are in millions of Indian Rupees; unless stated otherwise)

	For the year ended		Future period till end of life
	March 31, 2019	**March 31, 2020**	
Impact in future due to life change	-172	-78	1219

4. Standards issued but not effective until the date of authorisation for issuance of the said financial statements

The new significant standards, amendments to Standards that are issued but not yet effective until the date of authorisation for issuance of the said financial statements are discussed below. The Company has not early adopted these amendments and intends to adopt when they become effective.

Ind AS 115, 'Revenue from Contracts with Customers'

In March 2018, MCA has notified the Ind AS 115, Revenue from Contract with Customers. As a consequence of issuance of Ind AS 115, relevant paragraphs have been inserted / amended in various other standards.

The Standard establishes a new five-step model that will apply to revenue arising from contracts with customers. Under this standard, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in Ind AS 115 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under Ind AS. The effective date of Ind AS 115 is annual periods beginning on or after April 1, 2018. The Company does not expect that the adoption of the said standard and related amendments will have any significant impact on the financial statements per se.

5. Significant transactions / new developments

a. During the year ended March 31, 2017, the Company had entered into an agreement with Tikona Digital Networks Private Limited to acquire rights to use spectrum in the 2300 Mhz band for Rajasthan circle. Further during the year ended March 31, 2018, as the closing conditions have been fulfilled, the said transaction has been consumated.
b. During the year ended March 31, 2017, the Company acquired rights to use spectrum in the 2300 MHz band for seven circles against a consideration of Rs. 160 from Aircel Limited and its subsidiaries Dishnet Wireless Limited.
c. During the year ended March 31, 2017, the Company was allotted 16.40 MHz spectrum across 1800 / 2100 / 2300 MHz bands against the consideration aggregating to Rs. 7,254.

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(All amounts are in millions of Indian Rupees; unless stated otherwise)

6. Property, plant and equipment ('PPE')

The following table presents the reconciliation of changes in the carrying value of Property, plant and equipment for the year ended March 31, 2018 and 2017:

	Leasehold improvement	Building	Leasehold land	Plant and equipment	Furniture & fixture	Vehicles	Office equipment	Computer	Total
Gross carrying value									
As of April 1, 2016	89	156	68	44,817	56	3	147	258	45,594
Additions / capitalisation	-	-	-	7,946	7	-	19	61	8,033
Disposals / adjustment	-	-	-	(643)	-	-	(3)	(169)	(815)
As of March 31, 2017	89	156	68	52,120	63	3	163	150	52,812
Additions / capitalisation	-	-	-	10,471	4	-	10	2	10,487
Disposals / adjustment	-	-	-	(1,221)	-	-	(4)	-	(1,225)
As of March 31, 2018	89	156	68	61,370	67	3	169	152	62,074
Accumulated depreciation									
As of April 1, 2016	75	56	8	27,069	43	2	93	232	27,578
Charge *	6	10	1	5,540	4	0	19	22	5,602
Disposals / adjustment	-	-	-	(604)	1	-	(3)	(168)	(774)
As of March 31, 2017	81	66	9	32,005	48	2	109	86	32,406
Charge *	2	8	1	4,957	4	0	16	26	5,014
Disposals / adjustment	-	-	-	(960)	-	-	(4)	-	(964)
As of March 31, 2018	83	74	10	36,002	52	2	121	112	36,456
Net carrying value									
As of March 31, 2017	8	90	59	20,115	15	1	54	64	20,406
As of March 31, 2018	6	82	58	25,368	15	1	48	40	25,618

* It includes exceptional item of Rs. 8 and Rs. 344 with respect to plant and equipment for the year ended March 31, 2018 and 2017. (refer note 30)

The carrying value of the capital work in progress as at March 31, 2018 and 2017 is Rs. 1,326 and Rs. 634, respectively, which mainly pertains to plant and equipment.

(All amounts are in millions of Indian Rupees; unless stated otherwise)

7. Intangible assets

The following table presents the reconciliation of changes in the carrying value of intangible assets and intangible assets under development for the year ended March 31, 2018 and 2017:

	Software	Bandwidth	Licenses (including spectrum)	Other acquired intangibles	Total
Gross carrying value					
As of April 1, 2016	**12**	**7,286**	**18,492**	**41**	**25,831**
Additions / capitalisation	-	350	44,661	-	45,011
Disposals / adjustment	-	(1)	(1,083)	-	(1,084)
As of March 31, 2017	**12**	**7,635**	**62,070**	**41**	**69,758**
Additions / capitalisation	-	316	1,905	-	2,221
As of March 31, 2018	**12**	**7,951**	**63,975**	**41**	**71,979**
Accumulated amortisation					
As of April 1, 2016	**11**	**2,610**	**2,272**	**21**	**4,914**
Charge	1	507	2,731	14	3,253
Disposals / adjustment	-	(1)	(1,083)	-	(1,084)
As of March 31, 2017	**12**	**3,116**	**3,920**	**35**	**7,083**
Charge	-	531	3,147	3	3,681
As of March 31, 2018	**12**	**3,647**	**7,067**	**38**	**10,764**
Net Carrying Amount					
As of March 31, 2017	-	4,519	58,150	6	62,675
As of March 31, 2018	-	4,304	56,908	3	61,215

The carrying value of intangible assets under development as at March 31, 2018 and 2017 is Rs. 1,785 and Rs. 259, respectively.

Weighted average remaining amortisation period of license as of March 31, 2018 and March 31, 2017 is 17.81 years and 18.75 years, respectively.

During the year ended March 31, 2018 and 2017 the Company has capitalized borrowing cost of Rs. 45 and Rs. 3 respectively.

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(All amounts are in millions of Indian Rupees; unless stated otherwise)

8. Investments – Non-Current

	As of			
	March 31, 2018		March 31, 2017	
	No. of units	Cost	No. of units	Cost
Government securities (NSC)	1	0	1	0
	1	0	1	0

9. Financial Assets – Others

Non-Current

	As of	
	March 31, 2018	March 31, 2017
Rent equalisation	243	273
Margin money deposit	0	7
Others	8	13
	251	**293**

Current

	As of	
	March 31, 2018	March 31, 2017
Unbilled Revenue	759	800
Interest accrued on investments	8	7
Claim receivables	3	8
	770	**815**

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10. Income taxes

The major components of Income Tax (Credit) / Expense are:

	For the year ended	
	March 31, 2018	**March 31, 2017**
Current income tax		
- For the year	-	3,071
- Adjustments for prior periods	(109)	(85)
	(109)	2,986
Deferred tax		
- Origination & reversal of temporary differences	(574)	152
- Effect of change in tax rate	(9)	-
- Adjustments for prior periods	50	56
	(533)	208
Income tax (credit) / expense	**(642)**	**3,194**

The reconciliation between the amount computed by applying the statutory income tax rate to the (loss) / profit before tax and income tax (credit) / expense is summarised below:

	For the year ended	
	March 31, 2018	**March 31, 2017**
(Loss) / profit before tax	(1,761)	9,795
Tax (benefit) / expense @ company's domestic tax rate of 34.608%	(610)	3,389
Effect of:		
Tax holiday	2	(140)
Effect of changes in tax rate	(9)	-
Adjustments in respect to previous years	(59)	(28)
(Income) / expense not (taxable) / deductible (net)	34	(27)
Income tax (credit) / expense	**(642)**	**3,194**

The analysis of deferred tax assets / (liabilities) is as follows:

	As of	
	March 31, 2018	**March 31, 2017**
Deferred tax asset / (liabilities)		
Provision for impairment of debtors / advances	405	272
Lease rent equalization	451	468
Fair valuation of financial instruments and exchange differences	215	226
Depreciation / amortisation on PPE / intangible assets	(1,361)	(762)
Carry forward losses	1,024	-
Others	89	85
Net deferred tax asset	**823**	**289**

(All amounts are in millions of Indian Rupees; unless stated otherwise)

	For the year ended	
	March 31, 2018	March 31, 2017
Deferred tax income / (expense)		
Provision for impairment of debtors / advances	133	(11)
Carry forward losses	1,024	-
Lease rent equalization	(18)	(24)
Fair valuation of financial instruments and exchange differences	(11)	10
Depreciation / amortisation on PPE / intangible assets	(599)	(187)
Others	4	4
Net deferred tax income / (expense)	**533**	**(208)**

The movement in deferred tax assets / (liabilities) during the year is as follows:

	As of	
	March 31, 2018	March 31, 2017
Opening balance	**289**	**497**
Tax credit / (expense) recognised in statement of profit or loss	533	(208)
Tax credit / (expense) recognised in OCI	1	-
Closing balance	**823**	**289**

11. Other non-financial assets

Non-Current

	As of	
	March 31, 2018	March 31, 2017
Advances (net)#	1,487	2,194
Capital Advance	1	1,729
Others*	149	1,031
	1,637	**4,954**

Current

	As of	
	March 31, 2018	March 31, 2017
Taxes recoverable	4,605	780
Advances to Suppliers (net)	798	1,650
Prepaid expenses	172	80
Others*	14	11
	5,589	**2,521**

Advances represent payments made to various Government authorities under protest and are disclosed net of provision (refer note 18).

Taxes receivables primarily include goods & service tax ('GST'), customs duty, excise duty, service tax and sales tax.

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(All amounts are in millions of Indian Rupees; unless stated otherwise)

Advance to Suppliers are disclosed net of provision of Rs. 50 and Rs. 24 as of March 31, 2018 and March 31, 2017, respectively.

* It includes employee receivables which principally consist of advances given for business purpose.

12. Trade receivables*

	As of	
	March 31, 2018	**March 31, 2017**
Unsecured		
Considered good	1,508	1,848
Considered doubtful	872	623
Less: provision for doubtful receivables	(872)	(623)
	1,508	**1,848**

* It includes amount due from related parties. (refer note 33)

Movement in allowances for doubtful debts is as follows:

	For the year ended	
	March 31, 2018	**March 31, 2017**
Opening balance	623	475
Additions	411	155
Write off (net of recovery)	(162)	(7)
Closing balance	**872**	**623**

13. Cash and cash equivalents ('C&CE')

	As of	
	March 31, 2018	**March 31, 2017**
Balances with banks	772	784
Cash on hand	2	2
	774	**786**

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14. Other bank balances

	As of	
	March 31, 2018	March 31, 2017
Margin Money	204	185
Term deposits with banks	94	-
	298	**185**
Less :- Interest accrued but not due	8	7
	290	**178**

Margin money represents amount given as collateral for legal cases and / or bank guarantees for disputed matter and earmarked balances for dividend payouts.

For the purpose of cash flow statement, C&CE comprise of following:-

	As of	
	March 31, 2018	March 31, 2017
Cash and cash equivalents as per balance sheet	774	786
Less :- Bank overdraft	(4,393)	(2,286)
	(3,619)	**(1,500)**

15. Share Capital & other equity

	As of	
	March 31, 2018	March 31, 2017
Authorised shares		
250,000,000 (March 31, 2017- 250,000,000) equity shares of Rs 10/- each	**2,500**	**2,500**
Issued, Subscribed and fully paid-up shares		
250,000,000 (March 31, 2017- 250,000,000) equity shares of Rs 10/- each	2,500	2,500
	2,500	**2,500**

a. Reconciliation of the equity shares outstanding at the beginning and at the end of the year

	For the year ended			
	March 31, 2018		March 31, 2017	
	No. of shares (in '000)	Amount	No. of shares (in '000)	Amount
At the beginning of the year	250,000	2,500	250,000	2,500
Issued during the year	-	-	-	-
Outstanding at the end of the year	**250,000**	**2,500**	**250,000**	**2,500**

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b. Terms/rights attached to equity shares

The Company has only one class of equity shares having par value of Rs. 10/- per share. Each holder of equity shares is entitled to one vote per share.

c. Details of shares held by the holding company and shareholders (as per the register of shareholders) holding more than 5% shares in the Company

	As of			
	March 31, 2018		March 31, 2017	
	No of shares (in '000)	% holding	No of shares (in '000)	% holding
Equity shares of Rs 10 each fully paid up				
Bharti Airtel Limited, the holding company	175,000	70%	175,000	70%
Telecommunications Consultants India Limited	75,000	30%	75,000	30%

d. Dividends paid and proposed

		For the year ended	
		March 31, 2018	March 31, 2017
A	**Declared and paid during the year:**		
	Final dividend for 2015-16 : Rs. 7.70/- per share (including dividend distribution tax of Rs. 392)	-	2,317
	Final dividend for 2016-17 : Rs. 2.72/- per share (including dividend distribution tax of Rs. 138)	818	-
		818	**2,317**
B	**Proposed for approval at the annual general meeting (not recognised as a liability):**		
	Final dividend for 2017-18: Rs. Nil per share (2016-17 : Rs. 2.72/- per share)	-	680
	Dividend distribution tax for 2017-18 @ 20.56% (2016-17 @ 20.36%)	-	138
		-	**818**

The proposed dividend is subject to approval at annual general meeting and hence has not been recognised as liability.

e. Reserve and Surplus

i. **Retained earnings:** Retained earnings represent the amount of accumulated earnings of the Company and re-measurement differences on defined benefit plans and any transfer from general reserve.

ii. **General reserve:** The Company has transferred a portion of its profit before declaring dividend in respective prior years to general reserve, as stipulated under the erstwhile Companies Act 1956. Mandatory transfer to general reserve is not required under the Companies Act 2013 ('Act').

(All amounts are in millions of Indian Rupees; unless stated otherwise)

16. Borrowings

Non-current

	As of	
	March 31, 2018	**March 31, 2017**
Unsecured		
Term loans	1,760	3,388
	1,760	**3,388**
Less: Current portion	(880)	(1,630)
	880	**1,758**
Current maturities of long-term borrowings	**880**	**1,630**

Current

	As of	
	March 31, 2018	**March 31, 2017**
Unsecured		
Term Loans	15,122	8,753
Bank overdraft	4,393	2,286
	19,515	**11,039**
Less: Interest accrued but not due (Refer Note 17)	9	3
	19,506	**11,036**

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(All amounts are in millions of Indian Rupees; unless stated otherwise)

Analysis of borrowings

The details given below are gross of debt origination cost.

16.1 Maturity of borrowings, Interest rate and currency of borrowings

Borrowings are at floating and fixed rate of interest. The table below summarises the maturity profile, interest rates and currency of borrowings of the Company's borrowings based on contractual undiscounted payments.

Currency of borrowings	Rate of Interest (Weighted average)	As of March 31, 2018	Maturity Profile			Terms of repayment
			Within one year	between one and two years	between two and five years	
INR	7.05%	1,574	1,574	-	-	Bullet payment, payable on due date
INR	7.80%	6,150	6,150	-	-	Bullet payment, payable on due date
INR	7.90%	1,760	880	880	-	2 installments, payable annually
INR	8.00%	6,589	6,589	-	-	Bullet payment, payable on due date
INR	8.35%	800	800	-	-	Bullet payment, payable on due date
INR		4,393	4,393	-	-	Payable on due date
Total		**21,266**	**20,386**	**880**	-	

Currency of borrowings	Rate of Interest (Weighted average)	As of March 31, 2017	Maturity Profile			Terms of repayment
			Within one year	between one and two years	between two and five years	
INR	8.00%	3,390	1,630	880	880	Bullet payment, payable on due date
INR	8.03%	8,750	8,750	-	-	Bullet payment, payable on due date
INR		2,286	2,286	-	-	Payable on due date
Total		**14,426**	**12,666**	**880**	**880**	

16.2 Unused lines of credit

	As of	
	March 31, 2018	**March 31, 2017**
Unsecured	6,587	3,316
	6,587	**3,316**

17. Financial Liabilities - Others

Non-current

	As of	
	March 31, 2018	**March 31, 2017**
Lease rent equalisation	1,352	1,416
Others	-	1
	1,352	**1,417**

(All amounts are in millions of Indian Rupees; unless stated otherwise)

Current

	As of	
	March 31, 2018	March 31, 2017
Capital payables	448	3,019
Security deposits	253	213
Dues to employees	41	22
Interest accrued but not due	9	3
Others*	166	43
	917	**3,300**

* It mainly includes payable against spectrum acquisition and certain unclaimed liabilities with respect to distributors.

18. Provisions

Non-current

	As of	
	March 31, 2018	March 31, 2017
Asset retirement obligations	223	194
Gratuity	41	40
Other employee benefit plans	3	3
	267	**237**

Current

	As of	
	March 31, 2018	March 31, 2017
Gratuity	11	10
Other employee benefit plans	21	23
	32	**33**

The movement of provision towards assets retirement obligations is as below:

	For the year ended	
	March 31, 2018	March 31, 2017
Opening Balance	194	193
Net additions	29	1
	223	**194**

Refer note 24 for movement of provision towards various employee benefits.

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The movement of provisions towards subjudice matters is as below:

	For the year ended	
	March 31, 2018	March 31, 2017
Opening Balance	4,504	3,817
Net additions	813	687
	5,317	**4,504**

The said provision has been disclosed under:

	As of	
	March 31, 2018	March 31, 2017
Trade payables (refer note 20)	2,755	2,225
Other non - financials assets - Non - current (refer note 11)	2,562	2,279
	5,317	**4,504**

19. Other non-financial liabilities

Non Current

	As of	
	March 31, 2018	March 31, 2017
Deferred Rent	-	49
	-	49

Current

	As of	
	March 31, 2018	March 31, 2017
Taxes payable*	1,421	324
	1,421	324

* Taxes payable include Goods and service tax, service tax, sales tax and other taxes payable.

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20. Trade Payable

	As of	
	March 31, 2018	**March 31, 2017**
Due to Micro and Small enterprises	0	0
Trade payables *	9,811	7,404
	9,811	**7,404**

* Trade payables includes dues to related parties (refer note 33) and provision towards subjudice matters (refer note 18).

Micro, small & medium enterprises development act 2006 ('MSMED') disclosure

The dues to micro and small enterprises as required under the MSMED Act, 2006 based on the information available with the Company is given below:

		For the year ended	
Sr No	**Particulars**	**March 31, 2018**	**March 31, 2017**
1	Principal amount and the interest due thereon [Rs Nil (March 31, 2017 – Rs Nil)] remaining unpaid to any supplier as at the end of each accounting year	0	0
2	Amount of interest paid by the buyer in terms of section 16 of the MSMED Act, 2006, along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	2	0
3	Amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act, 2006.	-	-
4	Amount of interest accrued and remaining unpaid at the end of each accounting year;	0	0
5	Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act, 2006.	-	-

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21. Guarantees, contingencies and commitments

(i) Contingent liabilities

Claims against the company not acknowledged as debt:

	As of	
	March 31, 2018	**March 31, 2017**
(i) Taxes, Duties and Other demands (under adjudication / appeal / dispute)		
-VAT/Sales Tax and Service Tax	777	795
-Income Tax	596	611
-Custom duty	182	182
-Entry Tax	904	868
-Stamp duty	0	0
-Department of Telecom (DoT) demands	435	1,019
-Other miscellaneous demands	22	22
(ii) Claims under legal cases including arbitration matters		
-Access Charges/Port Charges	712	637
-Others	17	17
	3,645	**4,151**

The category wise detail of the liability has been given below:-

a) Sales tax/VAT and Service tax

The Company has received demands from service tax authorities in relation to service tax levy on sale of sim cards and cenvat claimed on tower and related material.

b) Income tax demand

Income tax demands under appeal mainly include the appeals filed by the Company before various appellate authorities against the disallowance by the income tax authorities of certain expenses being claimed and non-deduction of tax at source with respect to dealers/distributor's margin etc.

c) Access charges (Interconnect Usage Charges)/Port charges

i. Despite the interconnect usage ('IUC') rates being governed by the Regulations issued by Telecom Regulatory Authority of India ('TRAI'); BSNL had raised a demand for IUC at the rates contrary to the regulations issued by TRAI in 2009. Accordingly, the Company filed a petition against the demand with the TDSAT which allowed payments by the Company based on the existing guidelines. The matter was then challenged by BSNL and is currently pending with the Hon'ble Supreme Court.

ii. The Hon'ble TDSAT allowed BSNL to recover distance based carriage charges. The private telecom operators have jointly filed an appeal against the said order and the matter is currently pending before the Hon'ble Supreme Court.

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iii. BSNL challenged before TDSAT the port charges reduction contemplated by the regulations issued by TRAI in 2007 which passed its judgment in favour of BSNL. The said judgment has been challenged by the private operators in Hon'ble Supreme Court. Pending disposal of the said appeal, in the interim, private operators were allowed to continue paying BSNL as per the revised rates i.e. TRAI regulation issued in 2007, subject to the bank guarantee being provided for the disputed amount. The rates were further reduced by TRAI in 2012 which was under challenge by BSNL before the Hon'ble Delhi High Court. The Hon'ble Delhi High Court, in the interim, without staying the rate revision, directed the private operators to secure the difference between TRAI regulation of 2007 and 2012 rates by way of bank guarantee pending final disposal of appeal.

d) Custom duty

The Custom authorities, in some States, demanded custom duty for the imports of special software on the ground that this would form part of the hardware on which it was pre-loaded at the time of import. The view of the Company is that such imports should not be subject to any custom duty as it is an operating software exempt from any custom duty. In response to the application filed by the Company, the Hon'ble Central Excise and Service Tax Appellate Tribunal ('CESTAT') has passed an order in favour of the custom authorities. The Company has filed an appeal with Hon'ble Supreme Court against the CESTAT order.

e) Entry tax

In certain States an entry tax is levied on import of material from outside the State. This position had been challenged by the Company in the respective States, on the grounds that the specific entry tax is ultra vires the Constitution. Classification issues had also been raised whereby, in view of the Company, the material proposed to be taxed is not covered under the specific category.

During the year ended March 31, 2017, the Hon'ble Supreme Court of India upheld the constitutional validity of entry tax levied by few States. However, Supreme Court did not conclude certain aspects such as present levies in each State is discriminatory in nature or not, leaving them open to be decided by regular benches of the Courts. Pending disposition by the regular benches, the Company has decided to maintain status-quo on its position and hence continues to disclose it as contingent liability.

f) DoT demands

(i) Demands for license fees pertaining to computation of Adjusted Gross Revenue ('AGR') and the interest thereon, due to difference in its interpretation. The definition of AGR is sub-judice and under dispute since 2005 before the TDSAT. TDSAT had pronounced its judgment in 2015, quashed all demands raised by DoT and directed DoT to rework the demands basis the principles enunciated in its judgment. Subsequently, the Union of India ('UOI') and the Company along with various other operators have filed

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appeals / cross appeals before the Hon'ble Supreme Court of India against the TDSAT judgment. In 2016, all the appeals were tagged together and Hon'ble Supreme Court has permitted DOT to raise demands with a direction not to enforce any demand till the final adjudication of the matter by Hon'ble Supreme Court. Further, in the matter to the writ petition, the Hon'ble Tripura High Court vide its judgement dated May 16, 2017 has allowed the Company petition to exclude non-telecom revenue from the purview of Gross Revenue. Accordingly, DoT has raised the demand basis special audit done by DoT and Comptroller and Auditor General of India. The contingent liability includes such demand and interest thereto (excluding certain contentious matters, penalty and interest thereto) for the financial years for which demand has been received by the Company.

(ii) Demands for the contentious matters in respect of subscriber verification norms and regulations including validity of certain documents allowed as proof of address / identity.

(iii) Penalty for alleged failure to meet certain procedural requirements for EMF radiation self-certification compliance.

The matters stated above are being contested by the Company and based on legal advice, the Company believes that it has complied with all license related regulations and does not expect any financial impact due to these matters.

In addition to the amounts disclosed in the table above, the contingent liability on DOT matters includes the following:

(iv) Post the Hon'ble Supreme Court Judgment in 2011, on components of AGR for computation of license fee, based on the legal advice, the Company believes that the foreign exchange gain should not be included in AGR for computation of license fee thereon. Further as per TDSAT judgement in 2015, foreign exchange fluctuation does not have any bearing on the license fees. Accordingly, the license fee on foreign exchange gain has not been provided in the financial statements. Also, due to ambiguity of interpretation of 'foreign exchange differences', the license fee impact on such exchange differences is not quantifiable. The matter is currently pending adjudication of the matter by Hon'ble Supreme Court.

(v) On January 8, 2013, the DoT issued a demand on the Holding company for Rs 659 towards levy of one time spectrum charge relating to the Company. The demand includes a retrospective charge of Rs 150 for holding GSM Spectrum beyond 6.2 MHz for the period from July 1, 2008 to December 31, 2012 and also a prospective charge of Rs 509 for GSM spectrum held beyond 4.4 MHz for the period from January 1, 2013, till the expiry of the initial terms of the respective licenses.

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In the opinion of the Company, inter-alia, the above demand amounts to alteration of financial terms of the licenses issued in the past. Based on a petition filed by the Holding company, the Hon'ble High Court of Bombay, vide its order dated January 28, 2013, has directed the DoT to respond and not to take any coercive action until the next date of hearing. The DoT has filed its reply and the matter is currently pending with Hon'ble High Court of Bombay. The Company, based on the independent legal opinion taken by the Holding Company, till date has not given any effect to the above demand.

Guarantees:

Guarantees outstanding as of March 31, 2018 and March 31, 2017 amounting to Rs. 3,715 and Rs.4,327, respectively have been issued by banks and financial institutions on behalf of the Company. These guarantees include certain financial bank guarantees which have been given for subjudice matters and in compliance with licensing conditions, the amount with respect to these have been disclosed under capital commitments, contingencies and liabilities, as applicable, in compliance with the applicable accounting standards.

(ii) Commitments

Capital commitments

The Company has contractual commitments towards capital expenditure (net of related advances paid) of Rs. 6,045 and Rs. 2,126 as of March 31, 2018 and 2017, respectively.

(iii) Lease Commitments

a) Operating Lease

As per the agreements maximum obligation on long-term non-cancellable operating leases are as follows:

As lessee

The future minimum lease payments obligations are as follows:-

	As of	
	March 31, 2018	**March 31, 2017**
Not later than one year	7,110	4,179
Later than one year but not later than five years	12,720	16,349
Later than five years	5,893	6,465
Total	**25,723**	**26,993**
Lease Rentals (Excluding lease equalisation adjustment of Rs. (64) and RS. (63) for the year ended March 31, 2018 and 2017)	3,832	2,579

The escalation clause includes escalation ranging from 0 to 2.5%, includes option of renewal from 1 to 15 years and there are no restrictions imposed by lease arrangements.

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As lessor

The future minimum lease receivables obligations are as follows:-

	As of	
	March 31, 2018	March 31, 2017
Not later than one year	953	1,128
Later than one year but not later than five years	3,108	3,895
Later than five years	849	1,505
Total	**4,910**	**6,528**

22. Revenue from operations

	For the year ended	
	March 31, 2018	March 31, 2017
Service revenue	44,083	51,255
	44,083	**51,255**

23. Network operating expenses

	For the year ended	
	March 31, 2018	March 31, 2017
Power and fuel	5,040	4,579
Passive infrastructure charges	3,720	3,939
Repair and maintenance	1,301	1,486
Internet, bandwidth and leasedline charges	365	276
Others	386	327
Total	**10,812**	**10,607**

24. Employee benefits expense

	For the year ended	
	March 31, 2018	March 31, 2017
Salaries,wages and bonus	752	827
Contribution to provident and other funds	19	20
Defined benefit obligation/ other long term benefits	13	17
Staff welfare expenses	41	24
Others	4	9
	829	**897**

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Employee benefits

The details of significant defined benefit obligations are as follows:

	For the year ended			
	March 31, 2018		March 31, 2017	
	Gratuity	Compensated absences	Gratuity	Compensated absences
Obligation:				
Balance as at beginning of the year	50	23	43	20
Current service cost	7	4	8	5
Interest cost	4	2	3	2
Benefits paid	(7)	(4)	(6)	(4)
Transfers	1	-	1	1
Remeasurements	(3)	(4)	1	(1)
Present value of obligation	**52**	**21**	**50**	**23**
Current portion	11	21	10	23
Non-current portion	41	-	40	-

The expected contribution for the year ended March 31, 2018 and 2017 for Gratuity plan is Rs. 11 and Rs. 12 respectively.

Amount recognised in other comprehensive income

	For the year ended	
	March 31, 2018	March 31, 2017
Experience (gains) / losses	-	0
Gains from change in demographic assumptions	0	1
Losses / (gains) from change in financial assumptions	(3)	0
Remeasurements on liability	**(3)**	**1**

Due to its defined benefit plans, the Company is exposed to the following significant risks:

Changes in bond yields - A decrease in bond yields will increase plan liability

Salary risk - The present value of the defined benefit plans liability is calculated by reference to the future salaries of the plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

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(All amounts are in millions of Indian Rupees; unless stated otherwise)

The financial (per annum rates) and demographic assumptions used to determine defined benefit obligations are as follows:

	As of	
	March 31, 2018	**March 31, 2017**
Discount Rate	7.85%	7.40%
Rate of Return on Plan Assets	N.A.	N.A.
Rate of salary increase	9.00%	10.00%
Rate of attrition	21% to 24%	20% to 29%
Retirement age	58	58

The Company regularly assesses these assumptions with the projected long-term plans and prevalent industry standards.

The impact of sensitivity due to changes in the significant actuarial assumptions on the defined benefit obligations is given in the table below:

		As of			
		March 31, 2018		**March 31, 2017**	
	Change in assumption	**Gratuity**	**Compensated absence**	**Gratuity**	**Compensated absence**
Discount Rate	+1%	(2)	(1)	(2)	(1)
	-1%	2	1	2	1
Salary Growth Rate	+1%	2	1	2	(1)
	-1%	(2)	(1)	(2)	1

The above sensitivity analysis is determined based on a method that extrapolates the impact on the net defined benefit obligations, as a result of reasonable possible changes in the significant actuarial assumptions. Further, the above sensitivity analysis is based on a reasonably possible change in a particular under-lying actuarial assumption, while assuming all other assumptions to be constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

Based on the movements in these actuarial assumptions historically and the prevailing market and demographic conditions as at the reporting date, the Company's Management has concluded that above mentioned rates used for sensitivity are reasonable benchmarks.

The table below summarises the maturity profile of the Company' gratuity liability:

	As of	
	March 31, 2018	**March 31, 2017**
Within one year	11	10
Between one and three years	16	17
Between three and five years	10	9
Over five years	15	14
	52	**50**

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(All amounts are in millions of Indian Rupees; unless stated otherwise)

The weighted average duration of the defined benefit obligation is 3.78 years and 3.54 years as of March 31, 2018 and 2017, respectively.

25. Sales and marketing expense

	For the year ended	
	March 31, 2018	**March 31, 2017**
Sales commission and distribution expenses	856	792
Advertisement and marketing	382	597
Business promotion	298	250
Others	364	553
	1,900	**2,192**

26. Other expenses

	For the year ended	
	March 31, 2018	**March 31, 2017**
Charity and donation #	100	100
Legal & professional charges	226	627
Bad debts written off	162	7
Provision for doubtful debts	249	148
Loss on sale of assets	17	40
Collection and recovery expense	104	113
Customer care expenses	209	239
Content cost	513	569
Other administrative expense	343	282
	1,923	**2,125**

As per the requirements of section 135 of the Companies Act, 2013, the Company was required to spend an amount of Rs. 268 and Rs. 259 for the year ended March 31, 2018 and 2017 on Corporate Social Responsibility expenditure. During the year ended March 31, 2018 and 2017, the Company has made a contribution of an amount of Rs.100 to Bharti Foundation towards corpus fund which is utilized to meet part of the operational expenses of the education program of Bharti Foundation.

27. Depreciation and amortisation

	For the year ended	
	March 31, 2018	**March 31, 2017**
Depreciation	5,006	5,258
Amortisation	3,681	3,253
	8,687	**8,511**

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28. Finance income and costs

	For the year ended	
	March 31, 2018	**March 31, 2017**
Finance income		
Interest income on deposits	15	18
Interest income on others	421	40
Net exchange gain	136	-
Net gain on derivative financial instruments	-	23
	572	**81**
Finance costs		
Interest on borrowings	767	569
Net loss on derivative financial instruments	42	-
Net exchange loss	-	5
Other finance charges	536	363
	1,345	**937**

"Other finance charges" comprise bank charges, trade finance charges and interest charges towards sub judice matters.

29. Non-operating expenses

Non-operating expenses comprise regulatory levies applicable to finance income.

30. Exceptional Items

Exceptional items comprises of the following:

a. For the year ended March 31, 2018:

   (a) Charge of Rs. 12 mainly towards operating costs on network re-farming and up-gradation program

   (b) Charge of Rs. 65 towards provision for one major delinquent receivable balance

b. For the year ended March 31, 2017:

   a. Charge of Rs. 177 towards operating costs on network refarming and up-gradation program

   b. Charge of Rs. 199 resulting from reassessment of the useful life of certain categories of network assets of the Company due to technological advancements

(All amounts are in millions of Indian Rupees; unless stated otherwise)

31. Earnings per share

The followings is a reconciliation of the equity shares used in the computation of basic and diluted earnings per equity share:

	As of	
	March 31, 2018	March 31, 2017
Weighted average shares outstanding ('000) - Basic / Diluted	250,000	250,000
(Loss) / profit for the year	(1,119)	6,601

32. Segment Reporting

The Company's operating segments are organised and managed separately through the respective business managers, according to the nature of products and services provided with each segment representing a strategic business unit. These business units are reviewed by one of the directors of the Company (Chief operating decision maker - 'CODM').

The amounts reported to CODM are based on the accounting principles used in the preparation of financial statements as per Ind AS. Segment's performance is evaluated based on segment revenue and segment result viz. profit or loss from operating activities before exceptional items and tax. Accordingly, finance costs / income, non – operating expenses and exceptional items are not allocated to individual segment.

Inter-segment pricing and terms are reviewed and changed by the management to reflect changes in market conditions and changes to such terms are reflected in the period change occurs. Inter-segment revenues are eliminated upon consolidation of segments and reflected in the 'Eliminations' column.

Segment assets / liabilities comprise assets / liabilities directly managed by each segment. Segment assets primarily include receivables, property, plant and equipment, Capital work-in-progress, intangibles assets, intangible assets under development, inventories, cash and cash equivalents. Segment liabilities primarily include operating liabilities. Segment capital expenditure comprises additions to property, plant and equipment, intangible assets and capital advances

The reporting segments of the Company are as below:

Mobile Services: These services cover voice and data telecom services provided through wireless technology (2G/3G/4G). This also includes intra city fibre networks.

Homes and Office Services: These services cover voice and data communications through fixed-line network and broadband technology.

Unallocated items include current taxes, deferred taxes, borrowings and certain financial assets and liabilities, not allocated to the operating segments.

(All amounts are in millions of Indian Rupees; unless stated otherwise)

Summary of the segmental information for the year ended and as of March 31, 2018 is as follows:

	Mobile Services	Homes and Office Services	Unallocated	Eliminations	Total
Revenue from external customers	43,581	502	-	-	44,083
Inter segment revenue	105	-	-	(105)	-
Total revenue	**43,686**	**502**	-	**(105)**	**44,083**
Segment results	(1,021)	169	-	-	(852)
Less:					
Finance costs					1,345
Finance income					(572)
Non-operating expense					59
Exceptional items					77
Loss before tax					**(1,761)**
Other segment items					
Capital expenditure	13,235	184	-	(221)	13,198
Depreciation and amortisation	8,627	90	-	(30)	8,687
As of March 31, 2018					
Segment assets*	100,689	1,437	2,149	(805)	103,470
Segment liabilities*	16,494	258	22,630	(805)	38,577

* Effective April 1, 2017, individual segments exclude inter - segment balances and allocated borrowings. This has no impact on total assets and liabilities. However, in case the previous year numbers were to be computed basis said change, the significant impact would have been on the liabilities of Mobile Services segment and un-allocated, which would have been lower / higher by Rs. 14,424 respectively.

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Summary of the segmental information for the year ended, as of March 31, 2017 is as follows:

	Mobile Services	Homes and Office Services	Unallocated	Eliminations	Total
Revenue from external customers	50,699	556	-	-	51,255
Inter segment revenue	31	-	-	(31)	-
Total revenues	**50,730**	**556**	-	**(31)**	**51,255**
Segment result	10,841	194	-	-	11,035
Finance costs					937
Finance income					(81)
Non operating expenses					8
Exceptional items					376
Profit before tax					9,795
Other segment items					
Capital expenditure	52,005	174	-	-	52,179
Depreciation and amortisation	8,423	111	-	(23)	8,511
As of March 31, 2017					
Segment assets	95,837	757	845	(702)	96,737
Segment liabilities	29,938	77	596	(702)	29,909

Geographical information:

The Company is operating in single geographic segment, i.e. in India. Thus, no information concerning geographical areas is applicable to the Company.

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33. Related party disclosures

i. **Parent Company**
Bharti Airtel Limited

ii. **Ultimate controlling entity (w.e.f. November 3, 2017)**
Bharti Enterprises (Holding) Private Limited. It is held by private trusts of Bharti family, with Mr. Sunil Bharti Mittal's family trust effectively controlling the said company.

iii. **Entity having significant influence over the Company**
Telecommunications Consultants India Limited

iv. **Other entities with whom transactions have taken place during the reporting periods**

a. **Fellow Subsidiaries**
Bharti Airtel Services Limited
Bharti Telemedia Limited
Bharti Infratel Limited
Airtel Payment Bank Limited
Telesonic Networks Limited
Nxtra Data Limited
Wynk Limited
Airtel Bangladesh Limited (Merged with Robi Axiata Limited w.e.f. November 16, 2016)
Airtel (Seychelles) Limited
Airtel Madagascar S.A.
Airtel Networks Kenya Limited
Airtel Networks Zambia Plc
Airtel Tanzania Limited
Airtel Uganda Limited
Celtel Niger S.A

b. **Entity where parent company exercises significant influence**
Indus Towers Limited

c. **Fellow companies (subsidiary other than that of the Company)**
Subsidiary
Bharti Axa General Insurance Company Limited

d. **Other related parties ***
Brightstar Telecommunication India Limited
Jersey Airtel Limited
Bharti Foundation
Centum Learning Limited
Deber Technologies Private Limited

* '**Other related parties**' though not 'Related Parties' as per the definition under Ind AS 24, have been included by way of a voluntary disclosure, following the best corporate governance practices.

v. **Key Management Personnel**
Manoj Murali (uptill October 7, 2017)
Hemanth Guruswamy (w.e.f. October 8, 2017)

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The remuneration paid to Key Management Personnel of the Company is borne by its Holding company, Bharti Airtel Limited and cross charged as part of a single composite consideration. Accordingly, the same is not reported under related party transaction.

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(All amounts are in millions of Indian Rupees; unless stated otherwise)

The summary of significant transactions with the above mentioned parties are as follows:

	For the Year ended									
	March 31, 2018					March 31, 2017				
	Parent company	Fellow subsidiaries*	Entity where parent company exercises significant influence	Entity having significant influence over the Company	Other related parties	Parent company	Fellow subsidiaries*	Entity where parent company exercises significant influence	Entity having significant influence over the Company	Other related parties
Purchase of fixed assets/ bandwidth	1,220	58	-	-	59	780	33	-	-	79
Sale of fixed assets/ IRU given	377	-	-	-	-	111	-	-	-	-
Rendering of Services	8,709	14	-	-	-	4,526	35	-	-	0
Receiving of services	17,414	2,238	1,836	-	8	9,802	2,049	1,963	-	18
Expenses incurred on behalf of others	21	21				18	18	-	-	-
Expenses incurred on behalf of the Company	1,311	2	-	-	-	1,471	1	-	-	-
Donation		-	-	-	100	-	-	-	-	100
Reimbursement of energy expenses	-	1,239	1,552	-	-	-	1,018	1,475	-	-
Guarantees and collaterals given on behalf of the company	657	-	-	-	-	1,390	-	-	-	-
Dividend Paid	476	-	-	204	-	1,347	-	-	578	-

The details of significant transactions with fellow subsidiaries and group companies are as follows:-

		For the year ended	
		March 31, 2018	March 31, 2017
(i)	**Receiving of services**		
	Fellow subsidiaries		
	Bharti Infratel Limited	1,687	1,587
(ii)	**Reimbursement of energy expenses**		
	Fellow subsidiaries		
	Bharti Infratel Limited	1,239	1,018
(ii)	**Donation**		
	Other related party		
	Bharti Foundation	100	100

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The outstanding balances of the above mentioned related parties are as follows:

	Parent company	Fellow subsidiaries*	Entity where parent company exercises significant influence	Other related parties
As of March 31, 2018				
Security Deposit	-	151	188	-
Trade Receivables	-	16	-	0
Trade Payables	(666)	(628)	(705)	(6)
As of March 31, 2017				
Security Deposit	-	148	186	-
Trade Receivables	91	5	-	-
Trade Payables	-	(330)	(565)	(6)

Outstanding balances at period end are un-secured and settlement occurs in cash.

34. Financial risk management objectives and policies

1. Financial Risk

The business activities of the Company expose it to a variety of financial risks, namely market risks (that is, foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's risk management strategies focus on the un-predictability of these elements and seek to minimise the potential adverse effects on its financial performance. Further, the Company uses certain derivative financial instruments to mitigate some of these risk exposures (as discussed below in this note).

The financial risk management for the Company is driven by the Company's senior management ('CSM'), in close co-ordination with the operating entities and internal / external experts subject to necessary supervision. The Company does not undertake any speculative transactions either through derivatives or otherwise. The CSM are accountable to the Board of Directors and Audit Committee. They ensure that the Company's financial risk-taking activities are governed by appropriate financial risk governance frame work, policies and procedures. The BoD of the respective operating entities periodically reviews the exposures to financial risks, and the measures taken for risk mitigation and the results thereof.

(i) Foreign currency risk

Foreign exchange risk arises on all recognised monetary assets and liabilities, and any highly probable forecasted transactions, which are denominated in a currency other than the functional currency of the Company. The Company has foreign currency trade payables and receivables. However, foreign exchange exposure mainly arises from trade payables denominated in foreign currencies. Consequently, the Company is mainly exposed to foreign exchange risks related to USD vis-à-vis the functional currencies.

Foreign currency sensitivity

The impact of foreign exchange sensitivity on profit for the year and other comprehensive income is given in the table below:

	Change in currency exchange rate	Effect on profit before tax
For the year ended March 31, 2018		
US Dollars	+5%	(63)
	-5%	63
For the year ended March 31, 2017		
US Dollars	+5%	(37)
	-5%	37

The sensitivity disclosed in the above table is mainly attributable to foreign exchange gains / (losses) on translation of USD denominated trade payables and trade receivables.

The above sensitivity analysis is based on a reasonably possible change in the under-lying foreign currency against the respective functional currency while assuming all other variables to be constant.

Based on the movements in the foreign exchange rates historically and the prevailing market conditions as at the reporting date, the Company's management has concluded that the above mentioned rates used for sensitivity are reasonable benchmarks.

(ii) Interest rate risk

As the Company does not have exposure to any floating-interest bearing assets, or any significant long-term fixed-interest bearing assets, its interest income and related cash inflows are not affected by changes in market interest rates. Consequently, the Company's interest rate risk arises mainly from borrowings.

Borrowings

Borrowings with floating and fixed interest rates expose the Company to cash flow and fair value interest rate risk respectively. However, the short-term borrowings of the Company do not have a significant fair value or cash flow interest rate risk due to their short tenure. Accordingly, the components of the debt portfolio are determined by the CSM in a manner which enables the Company to achieve an optimum debt-mix basis its overall objectives and future market expectations.

The Company monitors the interest rate movement and manages the interest rate risk based on its risk management policies, which inter-alia include entering into interest swaps contracts - as considered appropriate and whenever necessary.

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Interest rate sensitivity of borrowings

The impact of the interest rate sensitivity on profit before tax is given in the table below:

Interest rate sensitivity	Increase / decrease in basis points	Effect on profit before tax
For the year ended March 31, 2018		
INR - borrowings	+100	(125)
	-100	125
For the year ended March 31, 2017		
INR - borrowings	+100	(144)
	-100	144

The sensitivity disclosed in the above table is attributable to floating-interest rate borrowings.

The above sensitivity analysis is based on a reasonably possible change in the under-lying interest rate of the Company's borrowings, while assuming all other variables to be constant.

Based on the movements in the interest rates historically and the prevailing market conditions as at the reporting date, the Company's management has concluded that the above mentioned rates used for sensitivity are reasonable benchmarks.

(iii) Price risk

The Company invests its surplus funds in various mutual funds (debt fund, equity fund, liquid schemes and income funds etc.), short term debt funds, government securities and fixed deposits. In order to manage its price risk arising from investments, the Company diversifies its portfolio in accordance with the limits set by the risk management policies.

(iv) Credit risk

Credit risk refers to the risk of default on its obligation by the counter-party, the risk of deterioration of credit-worthiness of the counter-party as well as concentration risks of financial assets, and thereby exposing the Company to potential financial losses.

The Company is exposed to credit risk mainly with respect to trade receivables.

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Trade receivables

The Trade receivables of the Company are typically non-interest bearing un-secured and derived from sales made to a large number of independent customers. As the customer base is widely distributed both economically and geographically, there is no concentration of credit risk other than receivables from Group entities. The credit period provided by the Company to its customers (other than Group entities), generally ranges between 14-30 days. For details of trade receivables / revenues from related-parties, refer note 33.

The Company uses a provision matrix to measure the expected credit loss of trade receivables, which comprise a very large numbers of small balances. Refer Note 12 for details on the impairment of trade receivables. Based on the industry practices and the business environment in which the entity operates, management considers that the trade receivables are credit impaired if the payments are more than 90 days past due.

The ageing analysis of trade receivables as of the reporting date is as follows:

	Neither past due nor impaired (excluding unbilled)	Past due but not impaired				Total
		Less Than 30 days	30 to 60 days	60 to 90 days	Above 90 days	
Trade Receivables as of March 31, 2018	300	806	172	108	122	1,508
Trade Receivables as of March 31, 2017	501	974	89	49	235	1,848

The Company performs on-going credit evaluations of its customers' financial condition and monitors the credit-worthiness of its customers to which it grants credit in its ordinary course of business.

Financial instruments and cash deposits

The Company's treasury, in accordance with the board approved policy, maintains its cash and cash equivalents, deposits and investment in mutual funds, and enters into derivative financial instruments - with banks, financial and other institutions, having good reputation and past track record, and high credit rating. Similarly, counter-parties of the Company's other receivables carry either no or very minimal credit risk. Further, the Company reviews the credit-worthiness of the counter-parties (on the basis of its ratings, credit spreads and financial strength) of all the above assets on an on-going basis, and if required, takes necessary mitigation measures.

(v) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. Accordingly, as a prudent liquidity risk management measure, the Company closely monitors its liquidity position and deploys a robust cash management system. It maintains adequate sources of financing

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including bilateral loans, debt and overdraft from domestic at an optimised cost. It also enjoys strong access to domestic and international capital markets across debt and equity.

Moreover, the Company's senior management regularly monitors the rolling forecasts of the entities' liquidity reserve (comprising of the amount of available un-drawn credit facilities and Cash and cash equivalents) and the related requirements, to ensure they have sufficient cash on an on-going basis to meet operational needs while maintaining sufficient headroom at all times on its available un-drawn committed credit facilities, so that there is no breach of borrowing limits or relevant covenants on any of its borrowings. For details as to the Borrowings, refer Note 16.

Based on past performance and current expectations, the Company believes that the Cash and cash equivalents, cash generated from operations and available un-drawn credit facilities, will satisfy its working capital needs, capital expenditure, investment requirements, commitments and other liquidity requirements associated with its existing operations, through at least the next twelve months.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:-

	As of March 31, 2018						
	Carrying amount	**On demand**	**Less than 6 months**	**6 to 12 months**	**1 to 2 years**	**> 2 years**	**Total**
Interest bearing borrowings*	21,266	4,393	12,643	3,838	950		**21,823**
Other financial liabilities#	2,260	-	908	-	-	1,352	**2,260**
Trade payables	9,811	-	9,811	-	-	-	**9,811**
Financial liabilities	**33,337**	**4,393**	**23,362**	**3,838**	**950**	**1,352**	**33,894**

	As of March 31, 2017						
	Carrying amount	**On demand**	**Less than 6 months**	**6 to 12 months**	**1 to 2 years**	**> 2 years**	**Total**
Interest bearing borrowings*	14,427	2,286	9,676	984	1,021	953	14,920
Other financial liabilities#	4,714	-	3,297	-	-	1,417	4,714
Trade payables	7,404	-	7,404	-	-	-	7,404
Financial liabilities (excluding derivatives)	**26,545**	**2,286**	**20,377**	**984**	**1,021**	**2,370**	**27,038**
Derivative assets	11	-	5	-	-	6	11
Net derivatives	**11**	-	**5**	-	-	**6**	**11**

* Includes contractual interest payment based on interest rate prevailing at the end of the reporting period over the tenor of the borrowings.

Interest accrued but not due has been included in interest bearing borrowings and excluded from other financial liabilities.

(All amounts are in millions of Indian Rupees; unless stated otherwise)

The following table provides the reconciliation of liabilities whose cash flow movements are disclosed as part of financing activities of statement of cash flows:

			Non-cash changes			
	April 1, 2017	Cash flows	Interest expense	Fair value changes	Others	March 31, 2018
Borrowings	12,138	4,735	-		-	16,873
Interest accrued but not due	3	(980)	1,301		(314)	9
Derivative Instrument	11	(54)		42		-

2. Capital Risk

The Company's objective while managing capital is to safeguard its ability to continue as a going concern (so that it is enabled to provide returns and create value for its shareholders, and benefits for other stakeholders), support business stability and growth, ensure adherence to the covenants and restrictions imposed by lenders and / or relevant laws and regulations, and maintain an optimal and efficient capital structure so as to reduce the cost of capital. However, the key objective of the Company's capital management is to, ensure that it maintains a stable capital structure with the focus on total equity, uphold investor; creditor and customer confidence, and ensure future development of its business activities. In order to maintain or adjust the capital structure, the Company may issue new shares, declare dividends, return capital to shareholders, etc.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions or its business requirements.

The Company monitors capital using a gearing ratio calculated as below:

	As of	
	March 31, 2018	March 31, 2017
Borrowings	21,266	14,424
Less: Cash and cash equivalents	774	786
Less: Term deposit	94	
Net Debt	**20,398**	**13,638**
Equity	64,893	66,828
Total Capital	**64,893**	**66,828**
Capital and Net Debt	**85,291**	**80,466**
Gearing Ratio	**23.9%**	**16.9%**

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35. Auditor's remuneration*

	For the year ended	
	March 31, 2018	March 31, 2017
Audit fee	5	6
Reimbursement of expenses	0	0
Certification Fee	0	1
	5	**7**

* Excluding goods and service tax / service Tax

36. Fair Value of financial assets and liabilities

The category wise details as to the carrying value and fair value of the Company's financial instruments are as follows:

	Level	Carrying Value as of		Fair Value as of	
		March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Financial Assets					
FVTPL					
Derivatives					
- Embedded derivatives	Level 2	-	11	-	11
Amortised cost					
Investments	Level 1	0	0	0	0
Security deposits	Level 2	561	512	561	512
Trade receivables	Level 2	1,508	1,848	1,508	1,848
Cash and cash equivalents	Level 1	774	786	774	786
Other bank deposits	Level 1	290	178	290	178
Other financial assets	Level 2	1,021	1,108	1,021	1,108
		4,154	**4,443**	**4,154**	**4,443**
Financial Liabilities					
Amortised cost					
Borrowings- fixed rate	Level 2	4,413	-	4,413	-
Borrowings- floating rate	Level 2	16,853	14,424	16,853	14,424
Trade payables	Level 2	9,811	7,404	9,811	7,404
Other financial liabilities	Level 2	2,269	4,717	2,269	4,717
		33,346	**26,545**	**33,346**	**26,545**

The following methods / assumptions were used to estimate the fair values:

i. The carrying value of bank deposits, trade receivables, trade payables, current borrowings, floating – rate borrowings, other current financial assets and liabilities approximate their fair value mainly due to the short-term maturities of these instruments being subject to floating – rates.

ii. The fair value of non - current financial assets / liabilities is estimated by discounting future cash flows using current rates applicable to instruments with similar terms, currency, credit risk and remaining maturities.

iii. The fair values of derivatives are estimated by using pricing models, wherein the inputs to those models are based on readily observable market parameters. The valuation models used by the Company reflect the contractual terms of the derivatives (including the period to maturity), and market-based parameters such as interest rates, foreign exchange rates, volatility etc. These models do not contain a high level of subjectivity as the valuation techniques used do not require significant judgement and inputs thereto are readily observable.

During the year ended March 31, 2018 and 2017, there were no transfers between Level 1 and Level 2 fair value measurements. None of the financial assets and financial liabilities are in Level 3.

The following table describes the key inputs used in the valuation (basis discounted cash flow technique) of Level 2 financial assets / liabilities as of March 31, 2018 and March 31, 2017:

Financial assets / liabilities	Valuation Technique	Inputs used
Embedded derivatives	Discsounted Cash Flow	Forward currency exchange rates, Interest rates.
- Other financial assets / Borrowings floating rate / Other financial liabilities	Discsounted Cash Flow	Prevailing interest rates in market, Future payouts, Interest rates

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